Austria ... Sch. 22	Indonesia .. Rp 3100	Philippines . Pes. 20
Bahrain .. Din 0.650	Israel .... NS 3.50	Portugal .. Esc 100
Belgium .... BFr 48	Italy ...... L 1800	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus .... C£0.75	Jordan .... Fils 500	Spain .... Pta 125
Denmark . DKr 9.00	Kuwait .... Fils 500	Sri Lanka ... Rup 30
Egypt .... E£2.25	Lebanon . £L 50.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr 48	Switzerland SFr 2.20
France .. FFr. 8.50	Malaysia .. Rm 4.25	Taiwan ... NT $85
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 0.800
Greece .... Dr 100	Morocco .. Dir 6.00	Turkey .... L 500
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,240 — Friday May 22 1987 — D 8523 A

France strives to dispel economic pessimism, Page 28

World news

Senate curb on Gulf escorts

The US Senate voted 91 to 5 to stop the Reagan Administration implementing a scheme to protect Kuwaiti tankers until it submitted a full security plan for US and allied forces in the Gulf region.

Senators voted for a full report before the US implements an agreement with Kuwait to put American flags on 11 of Kuwait's 22 tankers carrying oil and to escort them through the region.

200 banks 'will fail'

A record 200 US banks are expected to fail this year, the Federal Deposit Insurance Corporation said. Page 4

Gold ban lifted

France abolished a ban on residents importing or exporting gold bullion.

UK elections

Britain's Conservative Party will try to gain the initiative today in the general election following the first week of the campaign in which the Labour Party has increased its opinion poll rating. Page 6; Campaign reports, Pages 10 and 11

Soviets warn US

The Soviet Union said a US navy cruiser had intruded twice into its territorial waters near Avacha Bay on the far-east Kamchatka peninsula this week, and it has told Washington this could have "very serious consequences."

Iraqi compensation

Iraq said it would offer compensation to families of the US sailors killed in the Gulf attack on the frigate Stark. Page 4

Machel 'sabotage'

Sabotage – in the form of a decoy radio beacon – caused the aircraft crash in which Mozambique President Samora Machel and 33 other people were killed last October, the Soviet Union said.

Sri Lankan polls

Sri Lankan Prime Minister Ranashinghe Premadasa said local elections would be held this year despite ethnic conflict on the island and presidential and parliamentary elections due in 1989 would not be postponed.

Contra hearings

Congressional investigators at the Iran-Contra hearings in Washington tried to demonstrate President Reagan's involvement with private fund-raising efforts for the Nicaraguan rebels. Page 4

Bratwurst rules

West Germany's Parliament turned down an offer by the MacDonalds hamburger chain to substitute Big Macs for bratwurst in a Bundestag fast-food shop.

India death toll

The death toll in Hindu-Moslem riots in north India rose to 47 after fresh violence in Meerut. Five people were killed and eight died of wounds sustained in previous riots. Mobs burned houses and shops.

EC AIDS grant

European Community governments pledged Ecu 35m ($41m) in grants for a proposed programme to fight the AIDS disease in the Third World.

N-plant leak

A nuclear reactor belonging to the European Commission at Petten in the Netherlands was closed down briefly after a leak of radioactivity.

Palestinians jailed

Two Palestinian guerrillas were sentenced to life imprisonment in Vienna after each was convicted of two murders and 12 attempted murders during an attack at Vienna airport 17 months ago.

Business summary

AMC deal clears major hurdles

RENAULT'S sale of its 46 per cent stake in American Motors Corporation to Chrysler is expected to be completed in August, the French state-owned car group said. Page 29

FIAT has bought out a 50 per cent shareholding owned by Nissan of Japan in the joint venture with Alfa Romeo to manufacture the Arna model. Page 29

WALL STREET: The Dow Jones industrial average closed up 9.90 at 2,225.77. Page 52

LONDON: Nervousness over the latest UK opinion polls overcame the positive effects of a firmer Wall Street and equity prices took a further tumble. The FT-SE 100 index closed 20.3 down at 2,153.7, while the FT Ordinary index fell 13.1 to 1,677.7. Details, Page 48

TOKYO: Small-lot buying of large capital stocks and those related to domestic demand pushed prices sharply higher, and the Nikkei average ended 334.41 points up at 23,754.01. Page 52

GOLD fell $7.25 on the London bullion market to close at $470.00. It also fell in Zurich to $469.45 ($476.75). Page 44

DOLLAR closed in New York at DM 1.7765, SFr 1.4570; FFr 5.9425 and Y140.65. It rose in London to DM 1.7770 (DM 1.7770 (DM 1.7745); to Y140.45 (Y139.80); to SFr 1.4590 (SFr 1.4540); and to FFr 5.9475 (FFr 5.9350). On Bank of England figures the dollar's exchange rate index rose 0.5 to 100.2. Page 45

STERLING closed in New York at $1.6800. It fell in London to $1.6795 ($1.6835); and to FFr 9.9875 (FFr 9.9925); and to SFr 2.45 (SFr 2.4475). The pound's exchange rate index remained unchanged at 73.7. Page 45

AUSTRALIAN financier, Mr Robert Holmes à Court, has emerged as the mystery buyer of Texaco shares and disclosed that he spent close to $500m acquiring a 5.4 per cent stake. Page 30

BRAATHENS SAFE, Norway's biggest private airline, placed a $2.1bn order with Boeing for aircraft to renew and expand its fleet. Page 5

CDF-CHIMIE, the French state-owned chemicals group, is holding talks which could lead it to taking over control of La Grande Paroisse, another chemicals concern. Page 30

FIREMAN'S Fund, the big US insurance group, and a group of its subsidiaries have acquired a 10.9 per cent stake in Alexander & Alexander Services, the US insurance broker. Page 49

ELECTROLUX of Sweden, world's leading household appliances group, reported a 5 per cent increase in profits even though sales surged by 71 per cent in the first quarter. Page 29

PREMIER GROUP, South African foods producer indirectly controlled by Anglo American, boosted pre-tax profits 75.3 per cent in the year to March to reach R153.9m ($77.5m).

SEAGRAM, the world's largest drinks company, believes the long decline in North American demand for spirit has finally ended. Page 49

MITEL, the loss-making Canadian telecommunications equipment maker acquired by British Telecom last year, has approached break even point in operations, but continues to pay heavily for past mistakes. Page 29

COMPANIA Telefonica Nacional de Espana, semi-state Spanish telephone monopoly, announced plans to launch a risk capital venture bringing in private-sector shareholders and aimed at developing advanced-technology industries. Page 29

SCHINDLER, Swiss lift manufacturing group, plans to raise up to SFr 210m ($145m) in new participation certificate capital to buttress an ambitious diversification programme. Page 30

BCI HOLDINGS is to split its sole subsidiary into two companies via an initial public offering for its remaining non-food businesses and some speciality food lines. Page 29

Chase drops $200m note issue amid banks' uncertainty

BY ANATOLE KALETSKY IN NEW YORK

CHASE MANHATTAN, the third largest US banking group, yesterday cancelled a planned capital raising exercise, in the first concrete indication of the differences of opinion emerging in the US banking community about whether to follow Citicorp's initiative in setting aside huge loss reserves against its loans to the Third World.

The Chase decision to postpone indefinitely a market offering of $200m in 12-year subordinated capital notes was due, the bank said, to "uncertainties in the marketplace resulting from the significant announcement by a major bank holding company on May 19." This was the day when Citicorp, the biggest US bank, resolved to boost the loss provisions against its Third World lending by $3bn, at the expense of an unprecedented loss, estimated at $2.5bn before tax in the current quarter.

However, the real concern behind Chase's announcement was not about the stock market's reaction to the Citicorp initiative, which has generally been positive. In fact, the stock market's enthusiasm for Citicorp shares, which rose another $2⅞ to $55⅞ yesterday, is becoming a mjaor factor contributing to the pressure on other leading banks to follow suit and bolster their reserves.

Rather, Chase is understood to have postponed its offering because it could not give underwriters the necessary legal assurances about its current profitability, at a time when management is seriously considering whether to follow in Citicorp's footsteps and add substantially to loan loss reserves.

Japanese banks, with loans to less developed countries of about $60bn, are likely to renew their campaign for larger tax concessions on bad loan writes-offs following Citicorp's move to add $3bn to its loan reserves. Page 28

In contrast, Bank of America, the second largest US banking group, is going ahead this week with a $100m note offering, after saying explicitly on Wednesday that it was "not aware of any developments which would produce a need for adjustment to reserves."

By issuing this statement at a time when its new capital was being marketed to investors, Bank of America has probably foreclosed the option of major reserve-strengthening in the immediate future. Although Chase spokesmen stressed that the bank had not actually decided to follow Citicorp in adding to its reserves, its action in cancelling the note offering yesterday is likely to create an expectation of some such action in the stock market.

Chase's share price rose $1⅛ to $36 yesterday morning, along with several other leading bank stocks, including even Manufacturers Hanover Trust, the US bank which is most seriously enmeshed in Latin America.

In contrast to BankAmerica, Manufacturers Hanover said on Wednesday that it was reviewing "intensely" the option of reserve strengthening in the wake of Citicorp's action. By yesterday lunchtime Manufacturers Hanover shares were up $⅞ at $39⅞, while BankAmerica remained unchanged at $11.

As bankers and investors in the major US money centres continued to ponder their responses to the week's events, the monetary authorities in Washington moved to close ranks behind the Citicorp initiative after some early signs of dissention in the immediate aftermath of the bank's announcement.

Despite criticisms voiced privately by some government officials, who were concerned that Citicorp was breaking ranks with other banks and might be undermining US efforts to orchestrate the world's response to the debt crisis, Mr James Baker, the US Treasury Secretary stated firmly on Wednesday night that he saw Citicorp's move as "a positive step."

Continued on Page 28

Mr François Mitterrand

Mitterrand supports double zero option

By David Housego in Paris

FRANCE'S President, Mr François Mitterrand, yesterday revealed that he favoured the Soviet "double zero option" proposal for removing both shorter and longer-range US and Soviet missiles from Europe.

It is the first time President Mitterrand has indicated publicly his position on shorter-range weapons (between 500km to 1,000km), although his officials have long said he supported such an accord – in part because European public opinion would find it hard to understand a rejection of the current Soviet disarmament proposals.

He made the remarks in an interview with West German television on the first day of the Franco-German summit. Mr Mitterrand met Chancellor Helmut Kohl yesterday afternoon for talks devoted exclusively to disarmament. Afterwards, the Chancellor saw Mr Jacques Chirac, the Prime Minister, who said the two countries were moving towards a common position.

While expressing his personal preference for the double zero option, the President nonetheless emphasised that he did not want to pre-empt any West German decision and that a priority was still to obtain a European consensus.

However, his disclosure brings him closer to the position outlined by Mrs Margaret Thatcher, the British Prime Minister, who has also accepted in principle the double zero option while running contrary to the views of Mr Chirac and Mr Kohl.

Presidential officials yesterday were keen to play down the difference of views, emphasising that at this stage no firm positions were being adopted. This was seen as a reference to Mr Kohl's remarks last week proposing that weapons below the 500km range should be considered in the disarmament talks.

Continued on Page 28

Soviet satellite offer, Page 3

Costs double in Bonn–Paris helicopter deal

BY DAVID MARSH IN BONN

WEST GERMANY faces total costs of around DM 9bn ($5.08bn), more than twice as much as originally estimated, under the much-delayed plan due to be finally approved this summer to build a joint anti-tank helicopter with France.

The cost overrun will place more pressure on the defence budget, which already faces a squeeze from the Finance Ministry in coming years.

The Defence Ministry has come in for regular parliamentary criticism over the PAH-2 helicopter during the last two years. It is preparing to defend the latest cost escalation on the grounds that the project strengthens West Germany's overall defence and security relationship with France.

Bonn and Paris are determined to go ahead with the project both to overcome a series of arms collaboration setbacks earlier in the 1980s and to bolster their countries' helicopter industries, centred on Messerschmitt Bölkow Blohm and Aerospatiale, against US competition.

The Bonn Defence Ministry still hopes to reduce some elements in the latest cost projections before a final meeting on the matter between the two countries' defence ministers probably in July.

Bonn is also trying to interest other European countries in joining the project as a way of reducing costs.

The helicopter, first agreed between Paris and Bonn in May 1984, was then intended to go into service in 1993. The aircraft, originally planned to be offered in three versions, has now been reduced to a single concept, technologically much more sophisticated, meeting both German and French military needs.

But it is now planned to be available by 1997 at the earliest. This is a decade later than the date envisaged when the project was first mooted in the 1970s.

To bridge what could become a serious gap in its defences during the 1990s against the Soviet tank threat, West Germany is negotiating about possibly buying sophisticated Israeli night-flying devices to upgrade older PAH-1 helicopters on an interim basis before the PAH-2 becomes available.

The Defence Ministry is also exploring two other possible interim solutions. These are to equip the PAH-1s with French night-flying equipment – viewed at present as less suitable than the Israeli apparatus – or to buy outright between 50 and 60 Apache A-64 military helicopters from the US.

The Israeli negotiations, which are still only at a preliminary stage, involve as the German industrial partner the family-controlled Leitz optical company. The talks were confirmed by the state-owned Israeli Rafael Armaments Development Authority in Haifa yesterday.

If the deal were to be agreed, it would represent a major break-

Continued on Page 28

VW postpones $150m investment in Brazil

BY ANN CHARTERS IN SAO PAULO

VOLKSWAGEN has postponed a $150m investment to modernise its production lines in Brazil this year amid criticism by Mr Wolfgang Sauer, the multinational carmaker's local president, who blamed the Sarney Government for creating a "crisis of confidence."

Mr Sauer warned that unless Brazil was able to inspire confidence that it could pull itself out of its present economic difficulties, the crisis could lead to industrial and social chaos.

In a hard-hitting criticism of the paralysis in government, the Volkswagen executive warned: "Worse than the economic crisis is the crisis of confidence" in the country.

Mr Sauer, a naturalised Brazilian' was speaking to financial executives in Rio de Janeiro.

He cited Brazil's economic problems and inflation rising at 20 per cent a month as clear signs that the country was entering "a tunnel of recession" and reminded his audience that the auto industry was the first sector to enter into recession in 1981.

Political squabbling in the past few months over ministerial appointments and the length of President Jose Sarney's term in office have undermined the president's authority and pushed pressing economic decisions to the sidelines.

Mr Bresser Pereira, the new Finance Minister, is expected to announce an economic programme within the next few weeks.

Mr Sauer said it was essential that the full authority of the presidency should be restored to solve the country's economic and political problems.

The Government should then move quickly to reach an agreement with its creditor banks, face up to the burden of its $135bn internal debt, promote exports and attract debt-to-equity conversions to finance investment in basic infrastructure such as electricity and steel.

In an apparent response to Mr Sauer's criticisms, the Government yesterday approved a cut from 30 per cent to 15 per cent in the compulsory tax surcharge on cars.

Direct and indirect taxes until yesterday represented 70 per cent of the final retail price of Brazilian cars, the most expensive in their categories in the world.

Volkswagen is continuing with a $250m investment to maintain its production lines, but says the cutback is necessary because the motor industry is operating at a loss.

Shell plans chemical complex in Germany

BY TONY JACKSON IN LONDON

SHELL International, the world's biggest petrochemicals producer, is making its first independent venture into large-scale chemical production in West Germany.

The company plans a large chemicals complex at Cologne-Wesseling, starting with a DM 200m ($112.9m) polypropylene plant.

Shell's present West German operations are run jointly with the West German company BASF.

Deutsche Shell Chemie, Shell's West German chemicals subsidiary, said it had bought a 540,000 sq m site at Cologne-Wesseling next to Rheinische Olefinwerke (ROW), the joint venture between Shell and BASF which runs one of Europe's biggest petrochemical crackers.

It is believed that up to nine plants are being considered for the site, although Shell said yesterday it was "much too early" to discuss the others.

The polypropylene plant, due for completion by the end of 1989, will have a capacity of 120,000 tonnes a year, with raw materials being supplied from the ROW cracker and from Shell's refinery at Cologne. The cracker, still being rebuilt after an explosion in January 1985, is due to restart later this year.

The plant will add 10 per cent to Shell's worldwide polypropylene capacity, currently 1.2m tonnes, and increase its European capacity by about a third. Shell claims to be the world's second biggest producer of polypropylene after Himont, the joint venture between Hercules of the US and Montedison of Italy.

Burlington fends off hostile bid with $2bn leveraged buy-out

BY JAMES BUCHAN IN NEW YORK

BURLINGTON INDUSTRIES, the world's largest textile company which has been under threat of hostile takeover, said yesterday it would go private in a $2.07bn leveraged buy-out that will drastically reshape the company.

The buy-out at $76 a share by a group led by Morgan Stanley, the blue-chip investment bank, appears to close a bitter struggle between the company's management and a partnership led by Mr Asher Edelman, a New York investor specialising in corporate liquidations.

Mr Edelman, in partnership with Dominion Textile of Canada, bid $72 a share or $1.96bn, for the Greensboro, North Carolina company.

Mr Edelman, who twice raised his bid from an initial $60 a share, would not comment. Analysts expected him to accept Morgan Stanley's offer and reap a profit of more than $90 on the 3.7m Burlington shares owned by the partnership.

Mr Frank Greenberg, who is expected to remain as chairman and chief executive of Burlington, said: "We believe that we have fulfilled our commitment to maximise value to our shareholders." Before the partnership started building its stake, Burlington's shares traded at under $50.

The buy-out, which is the largest arranged by Morgan Stanley, will be financed in the form of a $1.85bn loan from a syndicate led by Bankers Trust. Morgan Stanley said it would put up the remainder in the form of a bridging loan and equity. Senior management will be offered an equity stake.

"We are very comfortable with management," said Mr Robert Greenhill, head of investment banking at Morgan Stanley.

In a leveraged buy-out, public shareholders are bought out with borrowed funds, which are repaid through operational cash flow or the sale of assets.

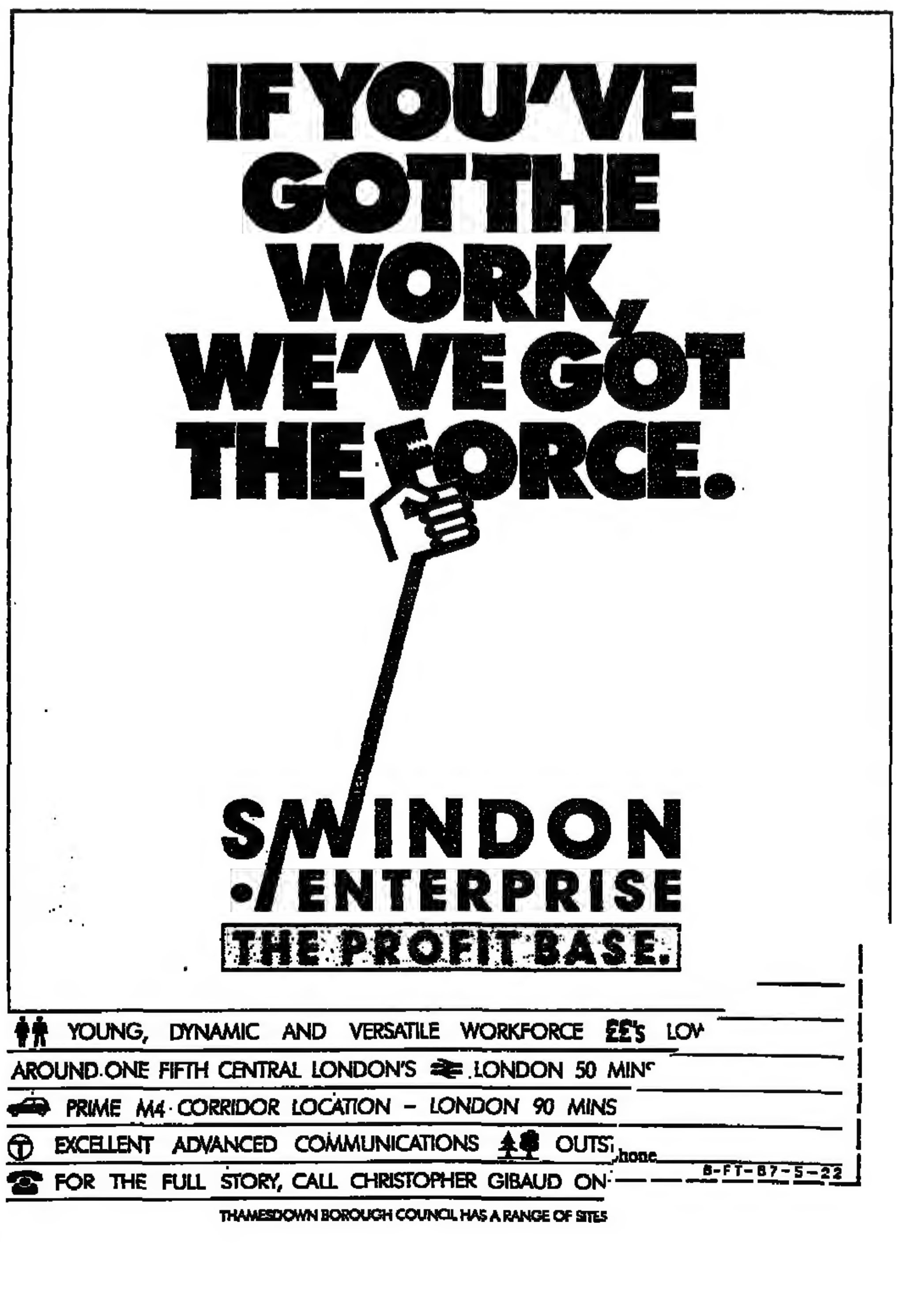
Analysts say that even with improving earnings this year, Burlington, which earned $57m on sales of $2.78bn last year, will need to make substantial disposals to pay down the acquisition debt.

"We're going to look at the restructuring of the business," said Mr Greenhill.

Burlington has spent more than $2bn in the past 10 years modernising its production to compete with apparel fabric imports from lower-wage countries.

"Burlington is just beginning to reap the benefits of its billion-dollar modernisation and restructuring programme" said Mr Greenhill and Mr Donald Brennan, head of merchant banking at Morgan Stanley. "It is also now the market leader and low-cost producer at a time when the textile industry is enjoying a strong operating environment."

Lex, Page 28



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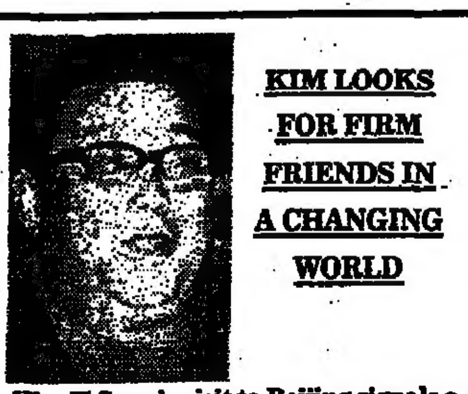


KIM LOOKS FOR FIRM FRIENDS IN A CHANGING WORLD

Kim Il Sung's visit to Beijing signals a relaxation of North Korea's isolationist stance, Page 4

Norway fearful of losing its say in Western affairs

BY WILLIAM DAWKINS, RECENTLY IN OSLO

NORWAY'S CHANCES of making its voice heard in the West will be strictly limited unless it steps up joint foreign policy efforts with the European Community, writes William Dawkins.

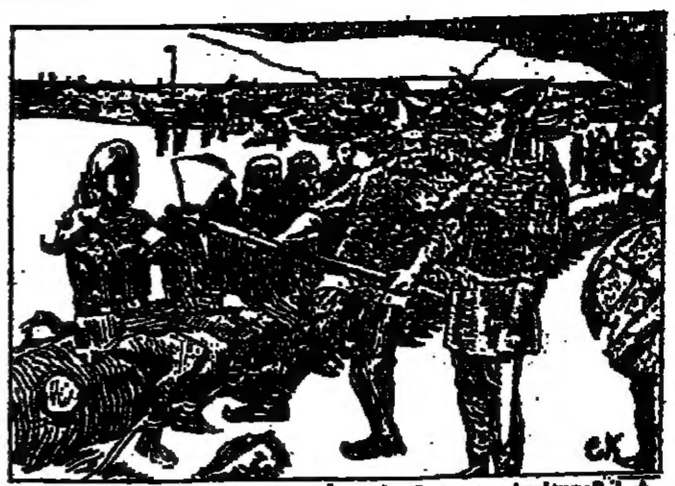
That is believed to be the main conclusion of a White Paper on relations with the EC due to be presented today to the Norwegian Storting (Parliament) by Oslo's minority Labour Government. While the paper stops short of inviting the question of whether or not Norway should apply for EC membership, it does call for much closer economic and political ties.

The document will not be debated until next spring, when political parties will be preparing their programmes for the 1989 general election. Community membership has been a highly sensitive question in Norway since a heated referendum voted against joining in 1972.

The report is understood to highlight how Norway now faces important new challenges from the fact that the EC has doubled in size and grown more stable and influential since the 1972 vote.

Officials say it calls for more involvement in the EC's increasingly close system of co-ordinating member states' foreign policies and adds that adapting to the Community's measures to create a genuinely free internal market is a necessity. The Community's joint research programmes — currently being blocked by Britain — also presents Norwegian business with key opportunities, says the report.

The possible establishment of an EC delegation in Oslo will help, but the report also recommends the establishment of a national commission to help companies and industrial groups to follow up and adapt to EC measures.



"I be the one who wants to cut back on agriculture?" A newspaper advertisement by Norway's Farmers Union gives dimly humorous expression to its fears about the risks of EC membership

Oslo casts the Community runes

BY WILLIAM DAWKINS, RECENTLY IN OSLO

NORWAY TODAY takes the first step towards reviving an issue which only 15 years ago brought its normally placid citizens to the brink of civil war: whether to apply for EC membership.

The minority Labour Government of Mrs Gro Harlem Brundtland will today place before parliament a 120-page White Paper on relations with the Community. While seemingly uncontroversial, it is Oslo's first review of its stance towards the EC since the populace voted narrowly against membership in a referendum in 1972.

Then, the debate opened traumatic splits within political parties, the trade union movement and among ordinary people. Even now, the issue is too hot to handle—the paper deliberately avoids mentioning membership—for any of the main political parties to have a formal position on the EC.

But today's paper is evidence of the Government's implicit recognition, shared by some of its opponents, that the question of whether to apply for membership cannot be ignored for much longer.

Norway is not alone among the six members of the European Free Trade Association in reassessing its EC links. But if it should apply to join—and the likelihood is that it will in the next decade—its prosperity and its Nato membership mean it is likely to be more welcome than most. Denmark has made no secret of the fact that it wants its northern ally to join, while the other northern member states might well feel that Norway would help redress the shift of power towards the south created by last year's accession of Spain and Portugal.

For Oslo the question is just starting to become important for a host of economic and political reasons. Thanks to the country's rich oil and gas reserves, "the detrimental effects of not being a member have come later and slower than expected. But they will materialise," says Mr Kare Willoch, former Prime Minister and a staunch pro-European.

He can point to the disadvantage, felt by all Efta members, of being left out of the creation of a free EC internal market, a project of key importance to a country which seends 70 per cent of its exports to the Community. The need of manufacturing industries for better access to foreign markets was highlighted harshly by a dramatic swing in Norway's trade balance from a NKr 39.4bn (£3.5bn) surplus in 1985 to a NKr 19.4bn (£1.74bn) deficit last year, mainly thanks to the fall in oil prices.

Other arguments for membership echoing round Norwegian industrial groups include the trade disadvantage of having to submit to anti-dumping regulations — which apply to a quarter of the country's industrial exports — and the desirability of gaining access to the EC's joint research programmes, which Norway seems to value more highly than some of the existing member states.

Industrial lobbyists' arguments have had a sympathetic hearing in Oslo, but so too have counter arguments that, with less than 3 per cent unemployment and a booming economy until recently, Norway has done well enough so far outside the Community.

"The problem is, the politicians want to go last on this one," says Mr Erik Hoff, international affairs director for the Norwegian Employers' Confederation. "We have a lot of persuading still to do to get them to come out of the cloakroom and on to the playing field."

On the political side, one possible benefit of membership being voiced more frequently within the Government itself is the prospect of getting close to EC foreign policy co-ordination. This is one of several areas where Oslo already works so intimately with the Community that it cannot step up activity much more without being a member. It matters because Norway is frequently finding itself wedged in Nato debates between a co-ordinated EC and the US, in the curious company of Turkey and Iceland.

Meanwhile, there is growing evidence that the fiercest anti-EC campaigners of 15 years ago, such as the farmers, fishing groups, trade unions and religious organisations, are now ready to take a more open-minded stance. If any of these hold the key to the puzzle, it is the farmers, who represent a small but politically powerful 5 per cent of the population.

In 1972, they feared a possible threat to the heavy subsidies that the Government pays to support farm production, especially in remote communities that have great national and strategic importance. These amount to NKr 11bn this year, roughly equivalent to the total income tax take, and are coming under growing attack from consumers' organisations, incensed by high food prices.

But the farmers have now seen how countries like Greece, Spain and Portugal, have managed to go on subsidising their own remote farming communities after joining the club.

The mood of the public at large is even less certain. A poll at the end of last year showed that 18 per cent opposed EC membership (far less than in 1972), 38 per cent wanted to join, while 42 per cent were undecided. That reflects the fact that even if it is on the minds of many people in Oslo, membership is not formally on any political agenda, nor is it likely to be until after the next general elecion in 1989. But the election after that, in 1993, might be a very different matter.

Craxi hints at his position after poll

By John Wyles in Rome

THE FORMER Italian Prime Minister, Mr Bettino Craxi, yesterday formally excluded himself from any role in the government which emerges from the general election on June 14 if it is led by a Christian Democrat.

He would reconsider only in a national emergency such as a new terrorist outbreak when he might agree to be Minister of the Interior. Otherwise, "there will be no minister Craxi," the Socialist party leader told a round table of journalists.

Mr Craxi's statement during a two-hour interview with editors and journalists of the leading Italian newspaper, La Repubblica, is the first and only indication he has yet given of the position he will take in the tortuous post-election negotiations on forming a new coalition.

It will tend to confirm the view that the only government in which he is interested in serving is one he himself leads as Prime Minister.

He seemed to agree with predictions that the prospect of a stable government will take some time to emerge after the ballot, if one emerges at all.

Yet he did foresee that the five parties which formed the two Craxi governments from 1983 until March this year would again secure a parliamentary majority at the election. He refused, however, to offer any undertaking that he would allow his Socialists to go into coalition led by the Christian Democrats who are expected to emerge again as the largest Italian party.

He would have no truck with what he alleged to be a Christian Democrat attempt to reassert the party's traditional hold on government.

He paid tribute to the support the party gave his administrations but argued that the centre-right party was bent on creating a bipolar system in which the alternative government would be Communist and the smaller lay parties would be corralled as Christian Democrat acolytes.

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Portfolio	1,825..	
DENMARK SE		
SE	203.10	-
FRANCE		
CAC Gen	425.60	436.30
Ind. Tendance	104.90	108.20

Outlook for Denmark darkens

By Our Copenhagen Correspondent

DENMARK'S balance of payments deficit should drop to around DKr 18bn (£1.6bn) this year from a record DKr 34.5bn in 1986, according to the biannual report of the semi-official Economic Council. This is despite grim forecasts for the country's export industries and prophecies of stagnating economic growth.

The Council survey also foresees a further drop in the balance of payments deficit next year to around DKr 9bn—the price for the improvement in the country's current account being mounting unemployment.

"If the unemployment level is to be kept below 11 per cent of the workforce, the expected improvements in Denmark's balance of payments situation will not continue beyond next year," the report warns.

Weak international demand and a deterioration of around 9 per cent in international competitiveness—due to over-generous wage rises and an over-valued kroner—augur badly for exports, it adds.

The Council forecasts that unemployment will rise to 250,000, or 8.8 per cent of the workforce, this year, increasing to 310,000 or 10.9 per cent in 1988, after totalling 212,000 or 7.8 per cent in 1986.

Inflation is expected to fall marginally to 4 per cent in both 1987 and 1988 from last year's 4.4 per cent.

The Economic Council's balance of payments forecasts are more optimistic than those of the Ministry of Economy's published earlier this week. These envisaged a DKr 21.5bn shortfall this year.

In common with the Economy Ministry, the Council expects continued balance in Denmark's state budget, which last year recorded a surplus of DKr 21bn for the first time since 1974. However, this is expected by most analysts to drop to DKr 10bn this year.

Warsaw official denies slur in face of protest

By Christopher Bobinski in Warsaw

POLAND'S official spokesman, Mr Jerzy Urban, under pressure from protests and a threatened court case, has sought to clarify and effectively withdraw a statement he made last month insinuating that four Warsaw academics were involved in spying.

He claimed that Mr Klemens Szaniawski, Mr Bronislaw Geremek, Mr Janusz Onyszkiewicz, all well known Solidarity supporters, and Ms Magdalena Sokolowska, a professor of sociology, had met under suspicious circumstances Mr Albert Mueller, a US diplomat caught in a spying incident.

He now maintains that the meetings took place but that he did not say the four were involved in espionage or even knew the American was a spy.

The insinuation came before expected Solidarity demonstrations on May Day and was designed to help throw the movement off balance as well as scare Polish citizens away from contacts with Western diplomats.

The four, however, have firmly denied meeting Mr Mueller and have taken Mr Urban to court to win a public apology. Students and the governing senate at Warsaw University, as well as 18 prominent intellectuals, have also joined a mounting protest campaign against the statement.

Greek current account down 10% in quarter

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S current account deficit in the first three months of 1987 reached $776m, 10.4 per cent lower than the deficit during the same period last year, but still uncomfortably high relative to the Government's 12 month target of $1.25bn.

This year is the second of a two year economic-stabilisation programme hinging on a near freeze of wages and salaries. Along with positive external factors, such as the fall in international oil prices, the stabilisation programme enabled the authorities to reduce the current account deficit last year to $1.704bn from a record $3.275bn in 1985.

As was the case last year, and despite the decrease in real incomes, due to the stabilisation measures, the main limiting factor on the current account deficit is proving to be a high level of imports into Greece. Between January and March non-oil import costs went up by 22.1 per cent. Despite an overall increase of 16.2 per cent in the value of exports, the trade deficit widened by 5.3 per cent, reaching $1.542bn.

Bank of Greece officials attributed the ris in imports partly buted the rise in imports partly of Greek exports on imported raw materials.

On the bright side, invisible earnings increased by 22.7 per cent, mainly reflecting a 34.2 per cent increase in earnings from tourism. Worker remittances also rose by 19.9 per cent, and European Comunity receipts reached $391m, a rise of 14.3 per cent.

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Brussels marks down forecasts for growth in EC

BY TIM DICKSON IN BRUSSELS

FORECASTS FOR economic growth in the European Community this year have been revised down, the Commission confirmed yesterday. Officials in Brussels say they now expect gross domestic product in member states to increase by an average of 2.2 per cent, compared with an earlier prodiction of 2.8 per cent made in the last major economic forecast last autumn.

The West German economy is expected to grow by 1.5 per cent this year (considerably less than thought likely in the autumn), but Britain's rate has been upgraded from 2.7 per cent to 3.1 per cent.

The reduced expectations were already becoming clear in January when the Commission updated some of its earlier findings—but the latest exercise is a much more complete revision of last year's work.

Lower growth is blamed on slower-than-expected expansion of world trade and the further fall of the dollar exchange rate since the autumn. As a result, "the prospects for exports and consequently those for enterprise investment have deteriorated sharply."

Along with the Commission's first official growth forecast for the Community for 1988—only marginally higher than this year at 2.3 per cent—the latest figures are considered disappointing in Brussels. While member states can claim five successive years of steady 2-2½ per cent growth rates, officials point out that this is not sufficient to make a dent in unemployment.

Total employment is now expected to grow by only 0.6 per cent this year (and 0.5 per cent next) but this will be only just enough to stabilise the average unemployment rate which is expected to fall marginally from 12 per cent last year to 11.8 per cent this year and next.

The Commission's forecast increase in private consumption, meanwhile, has been revised downwards from 3.5 per cent in the autumn to 3.1 per cent now. It had been thought that the savings ratio of households would rise in 1986 and decline noticeably this year, but it seems now that this pattern will not be so pronounced.

Consumer price inflation is still expected to be 3.2 per cent (and roughly the same in 1988) while the Community's external surplus on current transactions, which went down from 1.1 per cent of GDP in 1986 to 0.7 per cent in 1987, is likely to decline further in 1988 to 0.4 per cent.

Italian pockets overflow with Community cash

BY JOHN WYLES IN ROME

ITALY BECAME a net contributor to the EC budget in 1986 for the first time in nearly seven years because of the government's inability to spend Community funds quickly enough.

Inefficient handling of its cash entitlements under the agricultural, social and regional funds means Italy has spent only L8,400bn (£4bn) of the L16,150bn allocated to it over the past 20 years. Its total share during this period has been around 30 per cent of the grants made under the EC's so-called structural funds.

These figures have been compiled by the Italian Accountant General in the first of what is intended to be a regular series of reports on Italy and the Community. Their impact on the country's net paymets to Brussels is such that in 1984, Italy received L2,400bn net of its payments to the Community budget while last year it was L1,100bn in deficit.

The report says around half of Italy's unspent allocation (L3,370bn) involves either "dormant" projects still theoretically capable of implementation, those which have been abandoned, or projects which have been overpriced in the original application for funds.

An official said yesterday that Italy had demonstrated "a fertile capacity for initiative" in seeking EC money but only a modest ability in terms of valid planning and implementation."

France relaxes exchange controls

By George Graham in Paris

FRANCE'S Finance Minister, Mr. Edouard Balladur, has taken another hesitant step towards removing the foreign exchange controls which surround the franc.

French companies will in future be able to open foreign currency bank accounts — in France or abroad — and to borrow freely in currency or in French francs, the Minister announced yesterday.

In his fifth attempt to remove controls since he came to the Finance Ministry, however, Mr Balladur stopped short of removing the two principal remaining barriers, which prevent French banks lending in francs overseas and which prevent individuals opening foreign currency accounts.

The Government fears that complete abolition of controls would expose the franc to dangerous speculative pressures like those which forced its devaluation against the D-Mark last January.

Companies opening currency accounts will not be allowed to maintain balances of more than a quarter of their total overseas turnover. They will still be required to keep their total cash and forward purchases of currency below the level of their future currency spending.

Mr Balladur also announced the lifting of restrictions on the import and export of gold, and said that the right to carry out currency changing operations inside France would be opened up.

Leslie Colitt in Berlin examines an Eastern Bloc nation's industrial reform

East Germany takes own route

FOR DECADES the slogan "Learning from the Soviet Union means learning to win" was one of the most widespread official bywords in East Germany.

It has vanished, however, in the wake of the reforms introduced by Mr Mikhail Gorbachev, the Soviet leader, to revive his nation's stagnating economy. East Germany has no desire to emulate reforms which it regards as largely irrelevant for its economy.

"Just because your neighbour wallpapers his flat does that mean you have to do yours," was the caustic comment on the Soviet reforms by Mr Kurt Hager, East Germany's ideological chief.

East German officials insist there is no need for radical reforms, pointing to the country's successful economic development since 1971. That coincidentally was when Mr Erich Honecker, the East German leader, came to power.

By contrast, Mr Gorbachev, who will be visiting East Berlin later this month for a Warsaw Pact summit meeting, has shown strong interest in the economic lessons to be learned from the East Germans.

Soviet economic officials are impressed by East Germany's performance which has outpaced that of the Soviet Union and the remainder of Comecon. Of particular interest to the Soviets is the wholesale reorganisation of East German industry since 1979.

The previous ineffective industrial branch associations – similar to those in the Soviet Union – were replaced by the Kombinat (combine), a vertically integrated industrial trust. These giant monopolies encompass everything from components suppliers to end producers as well as research and development under one central management.

The director-general of a Kombinat automatically heads its most important plant. He is directly responsible to the State Planning Commission and the appropriate industrial ministry for fulfilment of the plan by all the companies under him.

The tight control, exercised from above at quarterly and monthly intervals to assure that targets are met, is what especially appeals to Soviet specialists.

Unlike the Hungarians who have relegated the planning commission to a forecasting institute and have given considerable autonomy to company managers, East Germany has streamlined the unwieldy "command economy" imposed on it by Moscow in the post-war era.

Economic planners in East Germany realised before their counterparts in the Soviet Union that gross output statistics for steel, machinery or ships were increasingly irrelevant in measuring industrial efficiency. The East German economy was capable of churning out goods at an impressive rate but the costs were enormous in materials, energy and manpower and the quality was often lacking.

The new Kombinats were quickly given net output targets to fulfil but these were still an insufficient indicator of productivity.

Profitability has now become the most important target to be fulfilled. More realistic input costs were also introduced to force them to use raw materials and energy more sparingly. A stiff new wage tax based on the number of employees was designed to make companies shed excess labour.

East German industry is considerably leaner and more productive than its counterparts elsewhere in Comecon while remaining, however, at least one third less efficient than West German industry. Real costs are still only partially reflected in higher prices for producers. It

Erich Honecker

is virtually impossible for planners to determine whether the Kombinats are producing and selling their goods profitably or not.

An East German washing machine or camera is roughly four times the price on the domestic market than in discount houses in West Germany.

Comecon specialists at the German Institute of Economic Research (DIW) in West Berlin note that built-in barriers impede innovation in the priority sectors of micro-electronics, data processing, automation technology and biotechnology. Research and development flops in the Kombinats, DWI notes, are more severely punished than is the lack of innovation.

East German planners, while stressing development of "key technologies", are felt to be neglecting the equally vital components industry. But there are industrial bright spots such as printing machinery and optics – the Carl Zeiss combine in Jena has several new products which are competitive in the West – and measurement engineering.

But more typical is the microelectronics Kombinat which produced a 64K RAM chip five years after Siemens in West Germany and hailed the achievement.

Production of personal computers – mainly for industry and education – began only last year after lengthy preparations. The 8-bit PCs, however, are only good for the simplest tasks.

Dr Rudi Rosenkranz, director-general of the giant Textima Kombinat in Karl Marx Stadt which produces textile machinery, said there was strong pressure on him from above to improve production technology and lower costs. His Kombinat has 34,000 employees producing everything from electronic control systems to needles.

Only one sixth of output goes to the West and two thirds to other Comecon countries, mainly long-series production to the Soviet Union. But, in order to obtain badly needed new technology, Textima needs to import machinery from the West. This explains Dr Rosenkranz's interest in striking a "compensation" deal with a Western company which would take Textima products in return for delivering the latest machinery.

Most Kombinat have their own foreign trade organisations but Dr Rosenkranz noted they have two loyalties – "to us and to the Ministry of Foreign Trade".

Another problem they face is to reduce the enormous stocks they hold because of erratic supplies, a battle Dr Rosenkranz said had just begun.

Seventy per cent of wages paid to workers in the Kombinat are now "based on performance" he explained. As for his own salary, he can increase it by up to 20 per cent depending on results.

"But one doesn't only work for money," he added quickly.

Soviet offer on satellite launches

By William Dullforce in Geneva

FOREIGN companies can send satellites into the Soviet Union without customs inspection and under round-the-clock escort to be launched into space on Soviet rockets.

This offer, designed to help circumvent US restrictions on exports of scientific equipment to the Soviet Union, was made here yesterday to representatives of 12 Western companies, by Mr Alexander Dunayev, Chairman of Glavkosmos, the Soviet organisation co-ordinating space technology at a meeting organised by the World Economic Forum.

Mr Dunayev also quoted indicative prices. A satellite could be put into geo-stationary orbit on a proton launcher, for about $30m, but the fee could be negotiated according to the customers specific requirements.

A 20 metric tonne pay load could be put into earth orbit for about $26m and seven metric tonnes could be launched on Soyuz Molniya or Vostok rockets for between $10m and $14m, Mr Dunayev said. He listed seven types of Soviet rocket vehicles available to launch pay loads varying from 450 kilograms to 21 metric tonnes into close orbit, more on to outgoing planetary paths, moonwoods or "marswoods". Representatives of five or six US companies including Martin Marietta International met the Glavkosmos chairman. Britain's Hawker Siddley sent a representative from its US subsidiary. France's Eutelsat and Italy's Montedison were also present.

Some thought the Soviet offers were "good", Mr Dunayev said. He stressed, however, that the Soviet Union was not competing in price with other countries such as China which have recently offered to launch foreign commercial equipment into space.

The Soviet launch programme was heavily charged with national projects, but if foreign companies could obtain a US licence to send their equipment to the Soviet Union "we can solve any problems," Mr Dunayev said.

Ingosstrakh, the Soviet insurance company, would insure the launch for a premium of about 12 per cent of the launch fee. Customers would have to ensure the satellite itself with their own insurers.

Agreement near on car exhaust emission

BY WILLIAM DAWKINS IN BRUSSELS

BRITAIN, France and Italy are close to agreeing to set tough new national controls on car exhaust emissions, according to Mr William Waldegrave, the UK Environment Minister.

Speaking during a meeting of his 11 EC colleagues yesterday, Mr Waldegrave said that Britain was ready to go ahead with setting mandatory clean exhaust standards for small and medium-sized cars "as soon as possible" if France and Italy did the same. "The indications are that they will," he said.

If Paris and Rome do agree to the standards, originally proposed by the European Commission and in use in The Netherlands and West Germany, it would mean that all car manufacturing countries in the EC would be making clean cars.

However the potential accord, which has been worked on by industry officials from the three member states for the past two or three months, would only deal with cars with engine sizes up to 2 litres, rather than all cars as the Commission is proposing.

EC officials said yesterday that all that was holding up an agreement was the timing of the new standards, with Britain wanting to move rather faster than France and Italy.

Nevertheless, Mr Waldegrave was confident that an accord would come soon. "This gives a very clear signal to car manufacturers that they must get on with the investment required," he said.

Under the Commission's timetable – supported by Paris and Rome – all small and medium-sized cars would have to conform to the new standards in stages by October 1991. Its proposals have got nowheere since 1985, when member states agreed to set their own national car exhaust standards in the light of entrenched opposition from Denmark, which wants tougher limits than the Commission has suggested.

Britain is against setting exhaust controls for large cars because it does not believe this would be cost effective, but Mr Waldegrave said yesterday that his opposition was softening in the light of fresh technical studies.

A Commission official said the agreement between the trio would be "an important step forward.

OVERSEAS NEWS

Kim wins diplomatic applause in China

BY ROBERT THOMSON IN PEKING

PRESIDENT Kim Il Sung of North Korea arrived in Peking by train yesterday to a welcome that was one of the most extravagant accorded to a foreign leader visiting China for many years.

But for all the pomp, and his success in convincing his own people that he has given them a quality of life unmatched in the world, the great leader has yet to convince China and the Soviet Union that the Kim dynasty is what the region needs.

His visit to China coincides with a shifting in power relations around North Korea, which has long exploited Sino-Soviet animosity and taken for granted that its own relations with the US would remain hostile indefinitely. Yet now the ground is shifting beneath Kim Il Sung and his Beijing trip is an attempt to put foreign policy on a firmer footing.

Like China, North Korea is suffering from a bout of political intrigue. The unusual "Kim is dead" rumour late last year and the even more unusual car accident involving General O Jin-U, the Defence Minister, in Pyongyang's uncluttered streets are signs that Kim's plan to elevate his son, Kim Jong Il, to the throne is not accepted by all of his subjects.

An East European diplomat said Kim senior will want a briefing on who is actually running China in the wake of the January dumping of Hu Yaobang, the Communist Party chief. He will want to know if Zhao Ziyang, the Premier and acting party chief, will be formally appointed party leader at a congress in the autumn, and get a measure of the Marxist renaissance.

He will also seek assurances from China that its relationship with South Korea will go no further. Sino-South Korean trade was estimated to be well over $1bn last year, and China has allowed South Korean delegations to attend international forums here.

But China already seems to have drawn a line that it will not allow, Seoul, which craves better relations, to cross. It is understood that China's Ministry of Foreign Economic Relations and Trade has issued a directive forbidding joint ventures with South Korean companies, even if those companies are using front organisations in Hong Kong to be politically discrete.

Kim will find the Chinese unwilling to withdraw from the 1988 Seoul Olympics, as good performances in international arenas have become a guide for the Chinese masses to their country's improved standing. Also, China wants to host the Olympics itself and would not want to risk its chances by heading a boycott.

The Chinese are known to be concerned by North Korea's granting of overflight rights to Soviet fighters and the provision of berthing facilities for Soviet warships, and will want to know how far the North Koreans, who have avoided being sucked into an orbit as a Soviet or Chinese satellite, will go to allow Moscow a military presence.

The North Koreans will want to know how far China will allow the Soviet courtship to go. Pyongyang has successfully exploited Sino-Soviet tension to win concessions from both countries, and improved relations between the two communist giants will limit its scope for political points-scoring.

Diplomats believe the Chinese will tell Kim what they tell every other visitor who asks about Sino-Soviet relations. While economic relations have improved significantly, the Chinese say "obstacles" still remain in the path of closer ties, particularly Soviet support for Vietnam's occupation of Kampuchea.

Washington's new-found willingness to allow North Korean and US diplomats to meet on neutral territory will be pondered. The US decision does little more than allow freer mingling at diplomatic cocktail parties, but it is a sign of US pressure on Pyongyang to give ground. US officials have also hinted that trade bans on food, medicine and other humanitarian items could be lifted.

Kim, who is no fool, seems to have recognised that the years of isolation and the "juche" (self-reliance) philosophy are hurting his country, and it is very much "his country." Australian tourist groups are now allowed to visit, as are select groups from Hong Kong and Britain, and more foreign business people are visiting Pyongyang, though dishonoured debts and a foreign exchange shortage make North Korea a risky partner.

Kim Il Sung—uneasy task

FIJI CRISIS

Ganilau battles against coup leader's ambition

BY CHRIS SHERWELL IN SUVA

FIJI'S political crisis remained unresolved last night as the island state's Governor General battled against the leader of last week's military coup for the allegiance of the country's influential Council of Chiefs.

Ratu Sir Penaia Ganilau, the Governor-General, was said to be utterly steadfast in his determination to resist Lt-Col Sitiveni Rabuka's continuing bid to instal his own council of ministers.

In this the Governor-General again received the full endorsement of Fiji's judiciary, which issued a statement implicitly rebuking Col Rabuka by urging the army and police to obey the Governor-General as paramount legal authority.

The endorsement followed an extraordinary radio interview given by the 38-year-old officer, in which he claimed he was still in control and had the total loyalty of the army and police.

He also declared three times that he would never agree to anything which would jeopardise the objectives of his coup.

The focus of the Governor-General's unprecedented confrontation was the Great Council of Chiefs, an advisory body which is the most influential ethnic Melanesian institution.

The Council adjourned again yesterday after a second all-day meeting, and following a meeting between Col Rabuka and the Governor-General, the coup leader's spokesman said "no conclusion" had been reached but that a "compromise formula" would be considered today.

Although details were confused, the formula was said to involve the possible co-existence of the Governor-General's planned council of advisers with Col Rabuka's Council of Ministers. Their membership and function were yet to be agreed. But it was far from clear that the Governor-General would accept.

Col Rabuka has some important support within the Council of Chiefs, but one report last night suggested that Ratu Sir Kamisese Mara, the key figure in the battle of wills, was switching his allegiance to the Governor-General.

Ratu Mara, Prime Minister for 17 years and widely recognised as the founder of Fiji's multiracial democracy, surprised everybody after the coup last week by accepting a position within Col Rabuka's Council of Ministers.

S African coal exports hit by bans

BY Gerard McCloskey

BANS ON South African coal imports by France, Denmark and the US are beginning to hurt the Republic's exporters. After a buoyant first quarter it has suddenly become clear total exports for 1987 could fall by over 5m tonnes, a fall of over 12 per cent, with some exporting companies bracing themselves for twice this amount. Total exports in 1986 were 45.5m tonnes.

The Richards Bay coal terminal, which handles the bulk of South African exports told its member companies this week that it expects a throughput of just 36m tonnes, down 4m tonnes from 1986 volumes. The announcement follows an assessment from Mr Graham Boustred, chairman of the country's largest coal exporter Anglo American Coal Corporation, that Anglo expects total South African exports to be 5.5m tonnes down at 40m tonnes in 1987.

The squeeze on tonnage is not the result of the boycotts alone. Oversupply of steam coal is pushing prices down for all exporting industries. At the start of last year South African coal could be bought in Europe for $38, but the price today is almost $10 lower. During the same period the rand has risen from $0.43 to $0.50, putting a further squeeze on the industry.

Mr Boustred estimates that revenues will fall by about R1.3bn (£394m)—a 40 per cent fall from last year's R3.2bn. The cut in dollar prices has sliced R650m off income while the strengthening of the rand has cost an additional R350m.

● The Soviet Union said yesterday that deliberate sabotage caused a plane crash in which Mozambican President Samora Machel and 33 other people were killed last October, Reuter reports from Moscow. But it stopped short of blaming South Africa for the disaster.

Tokyo faces fresh US pressure to boost growth

BY PETER BRUCE IN TOKYO

THE US yesterday increased its fierce pressure on Tokyo to stimulate domestic demand amid signs that the Japanese economy is only marking time and confirmation that Government growth forecasts for fiscal 1987 have been cut.

Mr George Shultz, the US Secretary of State, is said to have "reminded" Mr Tadashi Kuranari, the Japanese Foreign Minister, of Japanese promises to boost the domestic economy in a letter sent ahead of the Venice economic summit early next month.

The promises were made by Mr Yasuhiro Nakasone, the Japanese Prime Minister, when he was in Washington in April. Foreign ministry officials in Tokyo said Mr Shultz said he was looking forward to seeing Mr Nakasone and Mr Kuranari in Venice to hear how Tokyo planned to make good the commitments.

Mr Malcolm Baldrige, the US Commerce Secretary, in a sharply critical speech in New York, said it was "past time for Japan to reduce its aggressive targetting and export policies to a level that is comparable with international trading norms." Japan had a $52bn trade surplus with the US last year.

The US pressure resurfaced as the Japanese parliament passed its long delayed austerity budget for fiscal 1987. Since the budget was set late last year, the need for a substantial new stimulus for the economy has become widely accepted.

The Government plans to introduce a supplementary budget later in the summer which, some economists hope, may help bring back overall economic growth for the year to around 3 per cent.

The original 3.5 per cent growth target, set by the government's Economic Planning Agency was revised down at the beginning of the year. The EPA said in its monthly report to the Cabinet yesterday that the economy was making hardly any headway because of the way the strong yen was damaging exports.

Like a number of major business organisations yesterday, the EPA urged the Government to do more at home to help cut the country's trade surpluses.

Andrew Whitley explains why the Israeli foreign minister has damaged his career and prospects for Middle East peace

Peres plays a gambler's hand and ends up a clear loser

AN INVETERATE political gambler, Mr Shimon Peres has just lost one of the biggest plays of his career, with damaging consequences for his own leadership as well as the recently revived Middle East peace process.

Visibly unhappy at having to play second fiddle in the coalition government, since handing over the Prime Ministership last October to Mr Yitzhak Shamir, for months the 63-year-old Labour leader had been looking for a good pretext to pull the chair from under his old sparring partner on the Likud bench.

His own party was chafing in its harness to the Right-wing Likud bloc, though their partnership was due to run for 18 more months. And Mr Peres was fearful of the opprobium he personally is expected to reap when two Israeli inquiries into the Pollard spy scandal publish their findings later this month.

What the Foreign Minister needed was some real sign of life in a Middle East peace process that was seeming more and more moribund, his close aides confided; a dramatic gesture from Jordan's King Hussein, perhaps. Some unrealistic officials even began trying to convince themselves that there was a prospect of something like the late Egyptian President Anwar Sadat's ice-shattering visit to Jerusalem a decade ago.

Anticipating the Likud's refusal to enter into meaningful negotiations — talks which would inevitably centre on territorial compromise — Mr Peres would be able to present himself to the sceptical Israeli electorate as a statesman above petty party considerations. Sweeping back to power after fresh elections, he mused, his place in the history books would be assured.

Six weeks ago, the Jordanian monarch appeared to give Mr Peres some of the cards he needed. True, their meeting in London was private, like numerous cloak-and-dagger contacts between them in the past. But the concessions the King appeared ready to make were certainly significant enough to convince the US State Department that important progress had been made towards the possible convening of an international Middle East conference as a prelude to direct talks between Israel and its neighbours.

While Mr George Shultz, the ever-cautious Secretary of State, prepared to visit the region to put the finishing public touches to the embryonic Israeli-Jordanian understanding, overjoyed Labour officials busied themselves leaking details of the "historic chance" they said had suddenly materialised.

Public opinion in Israel needed to be convinced. Mr Peres, very much the grand old Duke of York, had led his troops to the top of this particular hill several times before, only to head back down again. But Labour gambled on building up an irrestible momentum which would carry the still half-formed plan along on a tide of national enthusiasm for peace.

What Labour tacticians hoped was that the "rejectionist front," as Mr Peres derisively dubbed Likud and its allies on the Right, would be shown up as negative and obstructionist. Some of its parliamentary members could in the process be detached from their natural allegiance to give Mr Peres the Knesset majority he lacked.

Peres—outmanoeuvred

Seasoned Western diplomats believed that presented with a *fait accompli* Prime Minister Shamir would, in the end, cave in and agree to participate in an international conference rather than risk losing power. Resentful at the way the Labour leader had monopolised the glory during the first half of the 50-month national unity Government, Mr Shamir was, they said, equally determined to leave his mark on Israel.

What everyone misjudged were the lengths to which the Prime Minister would go to block the conference proposal, even at the cost of upsetting seriously his proclaimed "closest frind," the Reagan Administration. It was a surprising error for — in contrast to Mr Peres — Mr Shamir is always crystal clear in his statements, however unpalatable they may be to others not of the same ideological persuasion.

"With all the anger, all the bitterness, we have in our hearts against this perverse and criminal attempt, we must maintain composure and repulse (it) with all the ways and means at our disposal. We absolutely reject (the international conference) from all possible principled and practical standpoints," Mr Shamir told his co-religionists last week.

Labour made a further rash mistake before embarking on the Jordanian jaunt. It did not add up the votes the party could rely on in the Knesset when — as it could have anticipated — the peace proposals became an issue of confidence in the government.

The result was last week's stand-off in the evenly divided inner cabinet and, even more humiliating, this week's decision to vote with Likud in a parliamentary no-confidence vote.

Outmanoeuvred by Mr Shamir, who only had to keep on saying "no," Mr Peres continues to speak of "going to the people" and "letting the people decide." There are indeed many in Labour angry at the debacle who would like to withdraw from the near moribund Government at the time.

But cooler heads in Labour prevailed. Capable of bringing down the coalition, Labour now knows that, given the disposition of the small parties, most with only one or two seats, it does not have the votes to force the early elections it wants at present. In exchange for a promise by Mr Shamir to enact further religious legislation, the religious parties — always the swing factor — have moved solidly behind Likud. Mr Shamir, meanwhile, is pronouncing the international conference idea "already non-existent.

All that Labour would achieve by bringing matters to a vote now would be to leave Mr Shamir in power as the head of a minority caretaker administration, not subject to a vote of confidence, and therefore fully capable of staying in power until October, 1988, if he so wished.

"What should we do? Leave defence in the hands of Ariel Sharon?" Labour officials argued bitterly in favour of the reluctant decision to stay on in the government. With the controversial, ultra-hawkish Mr Sharon as Defence Minister, a Likud government led Israel into its painful three-year war in Lebanon.

Aware that he has been freshly exposed to the old taint of being "minister of wishful thinking," Mr Peres is now reassessing the situation. Even angrier must be King Hussein. The Jordanian monarch himself willing to go a long way down Labour's prospective road and now has little to show for the risks he took, apart from public embarassment in the Arab world

AMERICAN NEWS

Record 200 US banks expected to fail this year

BY WILLIAM HALL IN WASHINGTON

A RECORD 200 US banks are expected to fail this year and the number of banks on the Federal Deposit Insurance Corporation's problem list has risen by a third over the past two years to 1,531 with total deposits of $237bn.

Mr William Seidman, FDIC chairman, in testimony before the Senate Banking Committee yesterday, painted a gloomy picture of a US banking system facing declining earnings and deteriorating asset quality.

Last year 138 US banks failed and in the first four-and-a-half months of 1987 there have been 78 failures and three cases where the FDIC has assisted a bank to prevent it failing. Some 87 per cent of the failures are in states west of the Mississippi. Banks in Texas and Oklahoma alone accounted for about half of bank failures this year.

Of the 1,531 problem banks, about 600 were agricultural banks and 150 energy banks. Some 85 per cent of the banks on the FDIC's problem list are west of the Mississippi and more than 55 per cent are located in just six states—Oklahoma, Texas, Wyoming, Montana, Louisiana and Alaska.

Mr Seidman said 90 per cent of US banks were not considered problems and failures last year represented 1 per cent of all banks.

"Overall, the statistics show a reasonably sound industry, but the averages mask a number of problems," said Mr Seidman. He noted that the average return on equity for the US banking industry in 1986 of 8.75 per cent compared with 13 per cent five years ago. Return on assets had fallen from 1 per cent to 0.74 per cent over the same period.

Moreover, in 1986 non-recurring items and gains from the sale of securities amounted to nearly 25 per cent of the total net income of US banks.

Meanwhile net charge-offs to loans had increased from 0.56 per cent in 1982 to a 0.99 per cent in 1986 and despite this increase, non-performing assets continue to remain high at 1.96 per cent. One side effect of the decline in credit quality was that FDIC losses on failed banks had risen substantially to more than 22 per cent of total bank assets.

"Even outside the recognised problem lending areas it appears that banks, overall, have had to accept greater loan risk in order to maintain earnings and loan volume. It seems clear that the risk in the system has been increased by deteriorating loan portfolio quality," said Mr Seidman.

He said that he expected the number of problem banks, which only six years ago totalled 217 with $21.6bn of deposits, to peak next year, then start declining.

Iraq to compensate US sailors' families

BY OUR MIDDLE EAST STAFF

IRAQ HAS said it will offer compensation to the families of the 37 American sailors killed in the attack on the US frigate Stark in the Gulf on Sunday.

In a television interview on Wednesday night, Mr Tareq Aziz, Iraq's deputy Prime Minister, when asked whether Iraq would pay compensation to the families, said: "We will respect our obligations in this respect." He did not say whether Iraq was ready to compensate the US Government, as it has requested.

Mr Aziz said the Iraqi pilot of the Mirage F-1 jet which fired two missiles at the Stark believed he was attacking an Iranian ship.

Yesterday, a US Navy board of inquiry opened in Bahrain to try to determine how the attack happened and why the Stark did not defend itself. The board, headed by Rear Admiral Grant Sharp, a senior Pentagon official, will interview survivors of the attack.

The US has extended by two months the tour of duty of the frigate Groves, a member of its seven-vessel Middle East Force which had been due to return to the US in mid-June.

In Washington, congressional leaders warned that the attack could complicate the Reagan Administration's plans to sell 12 F-15 fighters to Saudi Arabia. The Saudis failed to respond to US requests to intercept the Iraqi aircraft that attacked the Stark.

White House officials said the Administration's formal notification to Congress of the intended sale may be delayed "because of the political climate."

Four senators led by Arizona Democrat Daniel DeConcini have introduced legislation to block further arms sales to Saudi Arabia until there is an investigation into why Saudi jets did not intercept the Iraqi fighter.

Donations for Contras 'solicited by officials'

By Nancy Dunne in Washington

THE Iran/Contra hearings took a new turn yesterday as congressional investigators sought to demonstrate the involvement of President Ronald Reagan and other US officials in private fund-raising efforts for the Nicaraguan rebels.

Three wealthy conservatives described how they had been briefed by Administration officials about the needs of the Contras and had then been solicited for donations by Mr Carl Channell, a private fund-raiser. Mr Channell pleaded guilty last month to involvement in a tax fraud scheme.

Mr William O'Boyle, an affluent New Yorker, said Lt General Oliver North had shown him a *list of weapons needed for the* Contras and had told him of a secret airport built by the Sandinistas, intended "to recover the Russian Backfire bombers after they made a nuclear attack on the United States."

He then donated $130,000 to the cause.

Earlier, Senator Paul Trible, a Virginia Republican and a member of the panel, denounced reports that Maj Gen Richard Secord is attempting to block the release of Swiss bank records connected with the Iranian arms sales.

The former air force general, who supervised the sale of US weapons to Iran in exchange for American hostages, had portrayed himself before the investigating committee as a patriot with nothing to hide.

"The general's actions will inevitably frustrate and delay the pursuit of truth and are totally inconsistent with his (Secord's) words of co-operation and good faith," Sen Trible said.

Barbara Durr on growing discontent with Peru's President

Garcia survives strikes challenge

PRESIDENT ALAN GARCIA of Peru has emerged relatively unscathed from a four-day police strike and a more tame 24-hour general strike, in both cases avoiding greater potential violence.

The two strikes, however, mark a new phase of popular discontent with his government at a time when the annualised inflation rate is more than 100 per cent.

The police had wide public support for their wage demands and participation in the general strike, called by the communist trade union federation Confederacion General de Trabajadores del Perus, was higher than even its organisers had hoped.

Leftist politicians claim that in metropolitan Lima, the country's industrial heartland, about half the workforce stayed home. The government admitted 25 per cent.

There have been questions about how President Garcia handled this latest crisis. It is unclear how the government allowed the country's 90,000-strong police force to reach the point of going on strike. Fingers have been pointed at Interior Minister Abel Salinas, whose resignation was demanded by the police strikers. A rumour that he had resigned was denied by the President.

It appears the minister was caught off guard by the strike. Once it began last Friday morning its militancy was underestimated. An Interior Ministry spokesman said then that the government intended to let the strikers "run out of steam."

That did not happen. Instead hundreds of strikers and their leaders, holed up mainly in one large central Lima garrison of the Civil Guard, remained adamant. Although they were surrounded by the army, which had taken over their duties, they said they would not budge.

President Garcia, who had gone to Uruguay on Friday, returned to a far more serious problem by Saturday morning. By Sunday night, with the Tuesday deadline for the CGPT's general strike approaching, President Garcia began to engage in brinkmanship.

He accused the strikers of "facilitating terrorism" and threatened to use the army to dislodge them.

Given that the result was likely to be a bloodbath between police and army, this shocked an already tense public.

Alan Garcia: willing to gamble with violence

The consequences of President Garcia's willingness to use force last June to quash three prison riots, has not been forgotten. Between 250 and 300 prisoners accused of terrorism were killed. Twelve years ago during a police strike the army had been sent in and more than 100 police officers were killed.

The striking police left their garrison but did not end their stoppage.

By Monday, on the eve of the general strike, the Government was forced to concede to more than double the basic police salary. It is estimated that this will add $10m, or about 5 per cent of government revenues, to a state budget already heading for a serious deficit.

Referring to the fact that no concessions were made as a result of the general strike, an editorial in a leading popular newspaper said: "To raise some and postpone others will not contribute much to social peace, and probably this will be converted into a platform for a new cycle of popular demonstrations."

Senator Valentin Pacho, secretary general of the CGTP, said: "The general strike is just the first in a series of steps against the economic policies of the Government."

Argentine military abuses bill held up

BY TIM COONE IN BUENOS AIRES

A BILL before the Argentine Congress aimed at absolving junior- and middle-ranking officers from responsibility for crimes committed during military rule before 1983 has become bogged down in the Senate where conservatives want it extended to senior ranks.

In a secret session on Wednesday, the Defence Minister, Mr Horacio Jaunarena, and head of the intelligence services Mr Facundo Suarez, in an attempt to speed up approval of the bill, briefed legislators on unrest in the armed forces. Mr Jaunarena is believed to have said it was necessary "to avoid a repetition of the Easter weekend events."

Last month, army units led by junior officers took control of several military bases in the capital and the north of the country, demanding an end to the human rights trials in which almost 400 members of the security forces stand accused of abuses.

Congress approved the bill last week. In the Senate, however, the ruling Radical Party does not have a majority and is facing difficulties with conservative opponents who want to see the bill extended to absolve senior ranks. This would make the bill in effect an amnesty for all those responsible for the "dirty war" of the 1970s in which more than 9,000 persons disappeared after arrest by by security forces.

President Raul Alfonsin and leading members of the Radical Party have expressly ruled out an amnesty.

After the secret session in the Senate on Wednesday conservative senators were not convinced that the government's "limited amnesty" would be *enough to settle the* unrest in the armed forces.

US eases rules for AIDS drugs

THE REAGAN Administration has completed controversial new rules easing the availability of experimental drugs for AIDS and other deadly diseases, Reuter reports from Washington.

An administration official said the rules would allow drug companies to begin selling experimental therapies at an early stage in their development and well before they gained final marketing approval from the Food and Drug Administration.

Under current FDA procedures, it usually takes seven to nine years for a new therapy to proceed

WORLD TRADE NEWS

US will continue sanctions on Japan

US trade sanctions against Japanese exports to the US are likely to last beyond the summit meeting of industrial nations in Venice next month, Reuter reports from Washington.

Mr Marlin Fitzwater, the White House spokesman, when asked if the trade curbs might be lifted before the June 7-10 summit, said: "Of course it's always possible (but) I think it's unlikely."

President Reagan had said during the visit here last month of Mr Yasuhiro Nakasone, the Japanese Prime Minister, he would like to see the tariffs lifted before the summit meeting.

Other officials said it might be possible to lift a portion of the 100 per cent tariffs this month.

The tariffs on $300m worth of television sets, personal computers and power tools were imposed in April because Japan had not honoured a 1986 semiconductor agreement with the US.

US officials had said there would have to be proof Japan was honouring the pact, which President Reagan had said Japan had broken by continuing to dump semiconductors on world markets at less than cost and by keeping its home market closed to US goods.

EC to launch probe into music tape piracy

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission is to launch an inquiry into allegations that Indonesian music pirates are illicitly copying cassette tapes.

According to the International Federation of Phonogram and Videogram Producers, which has appealed to the Commission for action, the practice is costing EC music companies around $150m a year in lost sales. Illicit Indonesian cassette copies are believed to be sold widely in Asia and the Middle East.

The federation's complaint accuses the Jakarta government of failing to take effective action against pirates and being responsible for damaging EC businesses. The inquiry will take five to seven months. It is the second time the Commission has made use of a three-year-old regulation—the New Commercial Instrument — designed to allow tougher and faster action against unfair trade practices that are not already banned by other Community rules.

The instrument was first used to follow up a complaint by Akzo, the Dutch chemicals group, that Dupont, its US competitor had wrongly used some of its patents. The dispute has since been taken to the General Agreement on Tariffs and Trade (Gatt).

Commission officials said any action against Indonesia would be determined by the result of the inquiry, which is likely as in the Akzo case, to be referred to the Gatt.

Road funding may reach $40bn

BY NANCY DUNNE IN WASHINGTON

FUNDING for road projects in the Third World from commercial sources and development banks may reach $40bn over the next five years, according to a report by a Washington consulting group.

Mr Nicholas Ludlow, managing director of Devleopment Bank Associates predicts that Development Bank commitments to roads will reach $10bn to $13bn for projects with a total cost of $32bn to $40bn.

He said Development Banks would cover 50 per cent to 70 per cent of the exchange needs of developing countries for maintenance and improvement of roads during the five years, as well as funding for new roads.

Multilateral development bank commitments in Africa, Asia, Latin America and the Middle East are running at about $1.4bn a year. However, the need to build up the infrastructure is expected to boost spending to between $2.1bn and $1.7bn a year.

The private sector will provide about $2 for every dollar spent by the banks, said Mr Ludlow.

According to the report, The Development Bank highways market 1987–1991, A Practical Reference Guide, financing of civil works on road projects will reach between $29bn and $36.5bn. About $1.4bn to $1.7bn will be spent on technical assistance, including engineering.

The projects should provide a boost for equipment manufacturers.

Belgians' LNG row goes to arbitration

By Francis Ghiles and James Ball

DISTRIGAZ, the Belgian gas company, is to resume arbitration to help solve its long running dispute with Sonatrach, the Algerian oil and gas monopoly, over the terms on which it imports liquefied natural gas (LNG).

The immediate impact will be to cut the free on board price of the gas from $2.83 to $2.02 per million British Thermal Units (Btu). The cost for Distrigaz at the Belgian border will decline from $3.65 to $2.82 per million Btu.

Algerian LNG for Belgium is imported through the French terminal at Montoire de Bretagne, south of Nantes, but the Belgian terminal — nearing completion at Zeebrugge — will receive its first cargo of LNG next month.

The Belgian company asked the International Chamber of Commerce to arbitrate its dispute with Sonatrach in April 1986 but froze the arbitration procedure three months later, after agreeing a one-year irrevocable interim deal which accepted a similar price structure to that agreed by GaZ de France with Sonatrach in March 1986.

Boeing wins $2.1bn orders for new jet

BY LYNTON McLAIN

BOEING has launched another version of its 737 twin-jet airliner, the Boeing 737-500, with the announcement of orders for 51 of the new airliners from four airlines, with options on a further 22 airliners.

The combined orders and options will be worth $2.1bn at the time of delivery.

The latest version of the 737 is designed for lower density, short-to-medium range routes, with the first aircraft to be rolled out in May 1989, and first deliveries in March 1990.

Braathens SAFE of Oslo, Norway has ordered 25 of the aircraft for delivery between March 1990 and the end of 1994.

Southwest Airlines of Dallas, Texas has ordered 20 of the 122 seat aircraft for delivery between March 1990 and 1991, with options on 20 more

Euralair of France indicated to Boeing it would buy three aircraft with options on two more, for delivery in 1992 and 1993.

An undisclosed fourth airline is also to order three of the new airliners for delivery in 1990.

The new Boeing 737-500 airliners will be powered by the Franco-US CFM56-3-B1 engines, at up to 20,000 pounds thrust, made by CFM International, jointly owned by General Electric and Snecma.

Spanish telephone group in Soviet joint venture

BY DAVID WHITE IN MADRID

SPAIN'S semi-state telecommunications group, Compania Telefonica Nacional de Espana, is due to complete negotiations in the next few weeks on a joint venture to produce telephone sets in the Soviet Union.

Mr Luis Solana, Telefonica chairman, said yesterday the initial investment would be about $3m and the final amount considerably greater.

Telefonica said the unit would produce "medium technology" telephones using printed circuits for the Soviet and Eastern European markets. Production of 300,000 units a year is foreseen. The Spanish partner would take 20 per cent of the production

Meanwhile, he announced an initial agreement with American Telephone and Telegraph to build a Pta 4bn ($32m) plant in the northern Asturias region to make equipment for telephone cable networks.

Fujitsu supplies chips to Fairchild

By Carla Rapoport in Tokyo

FUJITSU has begun supplying Fairchild Semiconductor with sophisticated microchips, despite its recent withdrawal of a bid to acquire an 80 per cent stake in the company from its parent company, Schlumberger.

The Japanese electronics company is also understood to be discussing the acquisition of a 10 per cent stake in Fairchild. Fujitsu dropped the larger Fairchild bid earlier this year in the wake of strong US political pressure.

Fujitsu yesterday refused to confirm or deny the reports of its bid to acquire a smaller stake in Fairchild. It did confirm, however, that the new microchip business between the two companies emerged from its acquisition talks with Fairchild.

The company said that it was supplying a 32-bit microprocessor unit to Fairchild. These components are used in work stations and personal computers. Fujitsu is also supplying specially designed integrated circuits. Sales of both products, it said, are small, but could rise substantially in future. The products will be sold in the US under the Fairchild brand.

Egypt now ripe for investment from abroad, says trade body

BY TONY WALKER IN CAIRO

EGYPT offers new opportunities for foreign investors interested in import substitution projects, according to a report by the UK-based Committee for Middle East Trade.

The Comet report said new import restrictions and foreign exchange shortages were bringing better prospects for investors in enterprises manufacturing for the Egyptian domestic market.

The report predicted that during the five-year plan, 1987-88 to 1991-92, foreign investment in Egypt would pick up. Apart from the petroleum sector, such investment has been disappointing.

The improvement will result from the greater emphasis to be given to the private sector in the next five years. The Comet report said foreign direct investment in Egypt, according to a recent International Monetary Fund study, amounted to only 6 per cent of total external liabilities.

The report forecast that in common with several other Middle East countries, Egypt would embark on a programme of privatisation of inefficient public sector companies which account for about 70 per cent of the state's productive sector.

Comet said the experience of many investors had been negative, but circumstances were improving because the Egyptians were gaining experience in dealing with foreign investment. The legislative climate, for example, was better.

Comet said that while the record of British investment in Egypt—about $50m in more than 70 projects—was on the whole good, there was no use pretending that British companies found the investment road easy.

"Many have withdrawn after a number of years, frustrated by Egypt's notorious bureaucracy and despairing of their ability to make a project pay," the report said.

"Others have been discouraged by the country's deteriorating economic climate and the difficulties caused by the fact that the economy is still in many senses passing through a transitory phase."

Comet recommends investors to go for an import substitution project or the manufacture of a product for which foreign investment already has the blessing of the appropriate ministry or state company concerned.

The investor should find a local private sector partner with a good financial and political position and existing approval to manufacture the product in question. The investor should also ensure that the project can compete with the public sector which benefits from price subsidies and other advantages.

Other rules include the need to avoid conflict with labour unions which are relatively strong in Egypt. Investors are also advised to establish clear understandings about import duties on components and raw materials.

"Researching and applying for investment approval can be a lengthy process," Comet warned.

"If, after a reasonable assessment of a project, it seems unlikely to succeed, stop and look at alternatives, or shelve research for a period until the climate has changed."

"Money can run away with you in Egypt and if nothing looks like maturing after a reasonable period of time you are probably approaching the project in the wrong way, and may well be faced with terms and conditions which will not be acceptable to your main board."

Investment Prospects in Egypt, January, 1987, Committee for Middle East Trade.

THE BRITISH - managed Tudor Hotels Overseas is to take over management of three of Egypt's old hotels under a long lease.

The Jersey-registered company will spend about $4m upgrading the El Borg and Scheherazade hotels in Cairo and the Luxor Hotel in Upper Egypt.

Dyno wins contract

KAREN FOSSLI IN OSLO

DYNO INDUSTRIER, the Norwegan industrial group, has won its first contract in New Zealand. It will supply A. C. Hatrick with a production plant for formalin and urea-formaldehyde resins used to manufacture glue for the wood processing industry.

The value of the contract is NKr 20m ($3.03m). The total cost of the project, which includes building a new wood processing plant by ACH, is estimated to be NKr 40m to NKr 50m. The new plant, to be sited at Plymouth on the west coast of the North Island, will be a combination wood processing and glue manufacturing operation.

The combined plant is expected to come on stream during 1988. Formaldehyde-based resins are used in the manufacture of particle board, plywood and fibreboard.

Dyno is expected to deliver the process equipment for the glue manufacturing plant in early 1988. It has built 16 such plants worldwide and has three under construction. Last month it secured a similar contract in China.

Poland signs protection pact

By Christopher Bobinski in Warsaw

POLAND's first investment protection agreement, complementing last year's law permitting joint ventures with foreign capital, was signed this week with Belgium at the close of a three-day visit to Poland by Mr Leo Tindemans, the Belgian Foreign Minister.

The agreement guarantees against expropriation of foreign investments in Poland and includes provision for repatriation of profits

South Korea places curbs on exports

SOUTH KOREAN exporters will have to seek government permits to sell video recorders, microwave ovens, colour televisions and seven other products abroad, Reuter reports from Seoul.

The restraint, from July, is part of South Korea's efforts to limit its trade surplus and avert a trade war with Washington, the Trade Ministry said.

The other seven items are black-and-white televisions, stuffed toys, pianos, leather bags, fishing rods, tarpaulin products and brassware.

"Exports of the 10 items rose about 50 per cent to $443m in the first four months of this years over the same 1986 period and accounted for 12.5 per cent of our total exports to the US," the ministry said.

Exports to the US of 12 more products have already been voluntarily regulated. They include steel products, footwear, containers, wigs and leather garments.

Officials say South Korea will try to hold its 1987 trade surplus with the US below $8bn. The surplus was $7.3bn last year.

As part of that effort South Korea last month unveiled a list of $2.6bn of US goods it will buy this year.

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To exercise such option, you must complete, sign and deposit at the specified office of any Paying Agent at your own expense during normal business hours of such Paying Agent on or after July 21, 1987 but prior to August 21, 1987 a notice of redemption in the form obtainable from any Paying Agent, together with your Bond(s) (with all unmatured Coupons appertaining thereto, failing which the amount of any missing unmatured Coupons must be paid in U.S. dollars by you at the time of deposit to the relevant Paying Agent and any amount so paid will be repaid in the manner mentioned in Condition 4 of the Bonds against surrender of the relevant Coupon to the specified office of any of the Paying Agents, at any time following the said payment but not beyond a period of five years after the Relevant Date (as defined in Condition 7 of the Bonds) for the payment of such Coupon). Such notice of redemption shall be irrevocable and shall not be withdrawn without the consent in writing of our Company. The Paying Agent with whom a deposit is made of a notice of redemption and the Bond(s) shall issue to the relevant depositor a non-transferable receipt of deposit ("receipt") in which shall be stated the serial number of such Bond(s). If you exercise your option in accordance herewith, we shall be bound to redeem your Bond(s) on October 20, 1987 upon presentation of the receipt or (if its appointment as Paying Agent shall have terminated) at the specified office of the Principal Paying Agent. Any Bonds deposited for redemption as aforesaid shall be deemed not to be outstanding for the purposes of, and accordingly not subject to the provisions of Condition 6(C) and (D) of the Bonds.

Notwithstanding the foregoing, the Conversion Right attaching to any Bond which has been deposited for redemption as aforesaid, shall continue to be exercisable up to and including October 19, 1987, pursuant to and in accordance with the terms of Condition 5 of the Bonds.

KONISHIROKU PHOTO INDUSTRY CO., LTD.

Dated: May 22, 1987

UK NEWS

Tories seek to call tune as polls lead narrows

BY PETER RIDDELL, POLITICAL EDITOR

THE CONSERVATIVE PARTY will this morning seek to gain the initiative in the general election after the first week of the campaign in which the Labour Party has made the running and has increased its opinion poll rating.

Confirmation of this trend comes in a Marplan survey in today's Guardian which puts Labour on 33 per cent, although the Tories remain clearly in the lead on 41 per cent with the Social Democratic Party/Liberal Alliance on 21 per cent. These figures, and particularly the Alliance rating, have to be treated with some caution since other parties are put at an exceptionally high 4 per cent.

Over the past week, Labour's average rating in the polls has risen by four points to 33 per cent, with the Tories slipping back slightly to 42 per cent and the Alliance falling over two points to 23 per cent. This would still be sufficient to give the Tories a comfortable working majority.

The Tories have deliberately taken a low profile, apart from the launch of their manifesto on Tuesday and various "photo-opportunities" aimed at television bulletins, including a visit by Mrs Margaret Thatcher, to London's docklands yesterday to see her campaign bus, emblazoned with the slogan "Moving Forward with Maggie."

This morning she will chair the first of the party's daily press conferences, where the party's new theme tune by composer Mr Andrew Lloyd Webber will be played, and she will then go on her first national tour, over a week after the Alliance leaders.

Mrs Thatcher argued yesterday that "three weeks is long enough for a campaign. I am always afraid people are going to get tired of politics by polling day."

The Tories will now go strongly on the offensive, as was indicated in a forthright speech on defence last night by Mrs Thatcher at her adoption meeting as candidate for Finchley, north London.

Conservative strategists are relaxed about the slight firming of the Labour postion since this is mainly at the expense of the Alliance which is now clearly in third place.

A characteristic counter to the confidence of Conservative Central Office came last night from Mr John Biffen, the leader of the House of Commons. He warned against complacency and said there were risks at present. "Let there be no talk of having an impregnable lead in the polls, or of having an opposition neatly divided for the duration of the campaign."

Mr Biffen said the election should be fought for just as if it were "the knife-edged contests of 1964 and February 1974." He said the result would be "a triumph of moderation and realism," adding that Tories should not believe it was "all but won."

Labour's 16-strong campaign committee met in London last night to review progress, and particularly to consider the impact in the regional television and press of the tours by Mr Neil Kinnock, the party leader. They will also be watching closely to see the impact of the party's first election broadcast last night which concentrates on his personality.

Party leaders are pleased that so far they have avoided the splits and gaffes of the 1983 campaign and that they have forced the favourable issues to Labour of unemployment and the health service to the centre of the campaign.

Alliance strategists are privately disappointed by the poll results after their good showing

Labour plans more tax changes

BY OUR POLITICAL EDITOR

THE LABOUR PARTY plans more extensive tax changes than specified in its election manifesto, although Mr Bryan Gould, Labour's campaign co-ordinator, stressed yesterday that the only people "who might expect to pay more tax would be those earning £500 a week or more" (£26,000 a year).

The manifesto refers to reversing the "extra tax cuts which the richest 5 per cent have received from the Tory Government and to other reforms of capital taxation.

Labour spokesmen say other changes will involve the reintroduction of the investment income surcharge and a possible removal of the upper limit on employees' national insurance contributions, which currently takes effect on earnings of around £15,000 a year, although this is not a firm proposal.

One likely option is ending the exemption of investment or unearned income from national insurance contributions.

The party is also considering a series of changes in capital taxation including a reversal of the easing of capital transfer tax introduced in stages since 1979. Despite a manifesto commitment to a wealth tax, party leaders concede that the immediate revenue produced might be limited.

Mr Gould said yesterday Labour would not produce detailed tax tables showing the impact of its proposals since that would be impossible to estimate until the party was in power.

Labour believes it should have no difficulty raising the £3.6bn needed for its anti-poverty programme since the best-off 5 per cent have now received more than £4bn in tax reliefs since 1979.

Industry's capital investment shows no sign of increase

BY JANET BUSH

THERE ARE still no convincing signs that British industry is beginning to invest more, and capital expenditure dropped in the first quarter of this year, according to provisional figures released yesterday by the Department of Trade and Industry.

Capital expenditure by the manufacturing, construction, distribution and financial industries totalled £4.71bn in the first three months of the year, nearly 1 per cent below the previous quarter and just over 3 per cent below the first quarter of 1986. The value of expenditure is seasonally adjusted at 1980 prices.

The Government said in its budget report that the prospects are for investment to grow rapidly this year. The report pointed to a DTI survey of investment intentions in December which suggested growth in non-North Sea business investment of about 6 per cent this year, continuing into 1988.

Yesterday's figures showed some pick-up in manufacturing investment since the end of the last year and investment included leased assets was 5 per cent higher in the first quarter than the previous quarter. However, it was still nearly 8 per cent lower than the first quarter 1986.

The comparison with the first quarter last year has to take into account the high level of investment in the first few months of last year before the final phasing out of capital allowances in April.

The volume of manufacturing investment (including leased assets) in the last 12 months was 6 per cent lower than in the preceding 12-month period. Within this, investment on individual assets increased by nearly 3 per cent for new building work but decreased by almost 11 per cent for vehicles and by 7 per cent for plant and machinery.

The DTI's provisional estimate for investment by the construction, distribution and financial industries in the first quarter was £3.07bn, 3½ per cent lower than in the preceding quarter and ½ per cent lower than in the first quarter of 1986.

Separate provisional figures released yesterday showed that the level of stocks held by manufacturers, wholesalers and retailers rose by about £135m in the final quarter of 1980 prices.

Within this, manufacturers' stocks rose by about £160m following destocking by almost £350m during 1986. During the first quarter, wholesalers' stocks rose by about £95m after a rise in the whole of last year of £75m.

The level of retailers' stocks in the first quarter of 1987 appeared to be roughly the same as in the previous quarter after seven successive quarters of stockbuilding, according to the figures.

Barclays union threat to Connect debit card

BY JOHN GAPPER, LABOUR STAFF

BARCLAYS BANK faces further problems with its already troubled Connect direct debit card from 40,000 staff who have balloted in favour of not co-operating with the card's launch and operation.

Members of the bank's staff union voted, by just the 60 per cent majority required, to start industrial action on June 1 over the imposition of a 5 per cent pay award. The card is to be launched publicly two days later.

The move follows criticism by retailers of the bank's intention to charge a fee of 2 per cent on the cost of each purchase using Connect, the first of a generation of cards expected to pave the way to cashless shopping.

The bank union's executive committee decided on Tuesday that non-co-operation and an overtime ban will go ahead unless negotiations on the pay award imposed by the Federation of Clearing Banks in April are resumed.

The union said yesterday that the bank had in turn questioned the legality of the ballot, which was conducted at the end of last week, and indicated that it might seek an injunction to stop the action taking place.

Mr Eddie Gale, general secretary of the Barclays Group Staff Union, said that he believed the action over the pay offer imposed on 150,000 staff in three major clearing banks would seriously disrupt Connect's introduction.

Mr Gale said that although the scheme was largely computerised, most purchase vouchers would at some point need to be processed by members of the union, who comprise about half of total staff at Barclays' 2,856 branches.

A ballot of 40,661 members of the union held last Thursday produced a majority of 60.61 per cent in favour of action of the 16,229 who voted on the question. Barclays would not comment on the prospect of disruption.

Mr Nick Cowan, director of the federation, said yesterday that there was "absolutely no prospect" of an increase in the pay award to members of the staff unions of Barclays, National Westminster and Lloyds, which together form the Clearing Banks Union.

Jobs boost at Unigate

BY IAN HAMILTON FAZEY

UNIGATE, the foods group, is to expand its poultry rearing and processing business with a £55m complex of new chicken farms and factories centred on Scunthorpe in south Humberside, north-east England.

Steel closures caused the loss of 10,000 jobs in the area during the recession and unemployment is still at 17.8 per cent.

About 1,200 new jobs will be involved and the project is the biggest proposal for organic growth ever undertaken by Unigate, which has so far been expanding its poultry business by acquisition, notably through the purchase of Thornhill's Country Produce. Exports to Europe are expected to provide a substantial part of the business.

The new facilities will trade as Turners Chickens and will join Turners Turkeys of Spalding, Lincolnshire, as part of the recently formed Unigate Poultry. The other core businesses of the subsidiary are Thornhill's and the Shropshire-based poultry business, J. P. Wood.

More than 850 of the jobs will be in a new processing factory to be built at Scunthorpe.

Unigate's expansion in poultry follows the growing popularity of chicken, which the company says has just outstripped beef for the first time in the UK. Demand for white meat is growing at an annual 5 per cent, with the market now at 560m birds a year. To satisfy demand, imports take about 12 per cent of the market.

Despite their profitability, Unigate is also selling its five engineering businesses to concentrate resources on its faster-expanding core activities of food, distribution and transport, and exhibition services and display equipment.

The last two of these a repart of Unigate's Giltspur division, from which three of the engineering businesses will now be shed. The other engineering companies are part of Unigate's Wincaton division, which is chiefly concerned with transport.

Ladbroke fails to win Extel injunction

By Clay Harris

LADBROKE, the betting, hotels and retailing group, yesterday failed to win an interim injunction in the High Court in London preventing Extel, the financial and sport information company from disseminating certain specified rumours about it.

Mr Justice Leggatt, who heard arguments in chambers, said that Ladbroke had "failed to show that there is any evidence capable of supporting the allegation that Extel was the author of the rumours." Costs were awarded to Extel.

Ladbroke, however, claimed a moral victory. It noted that the judge had "made it clear that at no time in the course of the proceedings was there any suggestion that the rumours which form the company's complaint had any foundation in fact whatsoever."

Ladbroke issued the writ on May 8 after a flood of rumours led to sharp falls in its share price, at one point reducing market capitalisation by 10 per cent. The London Stock Exchange is proceeding with an inquiry, launched at Ladbroke's request, into share dealings at that time.

Extel was especially concerned about the allegation that it had suggested that Ladbroke was improperly using Satellite Information Services (SIS) to further its own financial interests and that Extel had caused the Office of Fair Trading investigation into SIS.

The judge said that this claim was "not worth the paper it was written on," Extel said yesterday Extel's own audio and tape service. Ladbroke is the single largest shareholder in SIS, and the parent groups of Britain's other largest bookmakers also have major stakes.

SIS, which earlier this month began live telecasts of race meetings to betting shops, competes with.

"The decision fully vindicates Extel and upholds and reinforces our reputation for integrity and impartiality," Mr Alan Brooker, chairman and chief executive, said yesterday.

Spending increase urged to remove inner-city decay

BY HAZEL DUFFY

A MASSIVE increase in spending on the renewal of inner cities, to be managed by an agency specially created for the purpose, was proposed by the Royal Institution of British Architects in a report published yesterday.

The institution's committee on inner cities, set up at the invitation of Prince Charles in May 1986, says that inner-city decay is one of the most serious crises confronting Britain today.

The report says this scale of deprivation and decay is inadequately addressed by government efforts, which are criticised for their fragmented and bureaucratic approach. It recommends a National Urban Renewal Agency be set up to provide a clear strategy and organisational structure which would enable co-ordinated action to take place.

The agency would need substantial funds from government. Around £1bn annually is recommended, half represented by the urban programme, currently managed by the Environment Department, which would be handed over to the agency.

This would act as a catalyst to attract private funds totalling up to a £5bn annual programme. The main avenue to the private sector would be through the issue by the agency of fully marketable tax exempt revenue bonds, like National Savings Certificates.

Bonds would have to be guaranteed by the Government. Two types might be offered — one for untaxed investors, and the other, with a lower coupon, for investors subject to a variety of marginal tax rates.

The institution proposed that the agency, which would be responsible to the Environment Secretary, should operate in partnership with consortia representing local authorities, private developers, industry and community interests. It would also take over responsibility for the six urban development corporations in England.

Its aim would be to co-ordinate and capitalise on the numerous local initiatives, whether groups of individuals or agencies, rather than impose programmes from the centre. New housing, refurbishment of existing housing, regenerating derelict land, job-creation exercises, including training facilities, would be encompassed in the agency's spending.

This would be done by extending loans to developers and non-profit-making local bodies, guaranteeing loans, subsidising interest and instigating equity investments.

Lenders urged to set up central debt register

BY HUGO DIXON

MR Robin Leigh-Pemberton, Governor of the Bank of England, yesterday encouraged building societies to feed financial information about their borrowers into a central debt register.

He said that this would reduce the chances of bad debts at a time when consumer borrowing was growing rapidly.

In a speech at the Building Societies Association's annual conference in Harrogate, Mr Leigh-Pemberton also appeared to support societies in their effort to increase their access to wholesale financial markets.

The idea of a centralised debt register, which lenders could consult to check on a potential borrower's obligations to other lenders, has gathered pace in recent months. Banks, led by Barclays, are thinking of putting information about their borrowers into such a register.

Mr Leigh-Pemberton said he welcomed this initiative by the banks and hoped building societies would also take part in it.

On Wednesday, the association said it would be asking the Government to increase the limit on wholesale funding.

Nissan drops van built in Spain

By Kenneth Gooding

THE IMPORTER of Nissan vehicles to the UK has stopped distributing the Trade van built in Spain by the Japanese group.

Instead, the independently owned Nissan UK will concentrate on selling the Urvan van which is imported from Japan.

Since the Trade van, made by Motor Iberica, Nissan's loss-making Spanish subsidiary, went on sale in the UK at the end of 1985 about 970 have been registered. More than 100 are in stock and still to be sold.

Nissan UK said yesterday it had decided to rationalise the commercial vehicle range offered through its dealers because competition had become so fierce.

The Trade and Urvan vehicles had approximately the same carrying capacity but the latter was a better-looking vehicle and shortly due to be improved by a major "face-lift."

Last year Nissan sold 1,900 Urvans in the UK. It will continue to import all the four-wheel-drive Patrol vehicles for the UK from Motor Iberica in Spain.

Hazel Duffy looks at the flow of cash support from Whitehall to industry

Advisers raise stakes in the grants business

HOW MUCH did you get from the Government last year? runs the opening line of an advertising brochure which dropped recently on thousands of managers' desks.

The answer for Rio Tinto-Zinc was £25m. That was the Government funding package extended to the group, to modernise uneconomic tin mines in Cornwall in south-west England. RTZ employed Eurofi consultants to help put its case to Whitehall. The consultancy is one of a number offering specialist advice to companies on Government and European Community grants.

Grants are big business. Department of Trade and Industry (DTI) grants alone exceeded £500,000 last year. Then there are grants for training, special grants for developments in the inner cities, grants from the development agencies in Scotland, Wales, Northern Ireland, local authority hand-outs, and European Community funds.

Total amounts paid over to business by Whitehall, however, are declining. Few schemes now offer automatic entitlement to grants. It is very much up to the company to convince Whitehall that its project qualifies. Many schemes are based on the premise that assistance is forthcoming only if the project would not otherwise go ahead.

An application at present before the Government is from Lucas Electrical, part of the Lucas group, which wants assistance to save its car instrument factory at Ystradgynlais, South Wales.

The plan is to transfer production to Wales of automotive wiring harnesses from plants in other parts of the country which are up against capacity constraints, thereby keeping open a factory which Lucas had planned to close.

Lucas' case to the Government and local agencies is that the plan is viable only with help from the public sector. That is for Whitehall to decide. Officials must be satisfied that, in this case, jobs are not simply being shifted from non-assisted areas to a place where aid can be had. They will also be keen to grant only the minimum necessary to enable the project to go ahead.

Lucas likes to negotiate direct with the Government, but companies not familiar with procedures may find it difficult. Knowing what is on offer can be confusing. The grants scene is complex. Some schemes are flexible, others much more rigid.

"A lot of companies do not understand what is around," says Mr Alan Perry, who joined the accountants Ernst & Whinney from the Treasury last year to run a grants service. "Some big companies are very clued up. But arrangements can be very patchy in other companies, particularly where responsibility is delegated to subsidiaries and branches."

This is where the consultant can come in. They will give their opinion on whether the company will qualify; draw up the proposal to go to the Government and, if necessary, negotiate with officials.

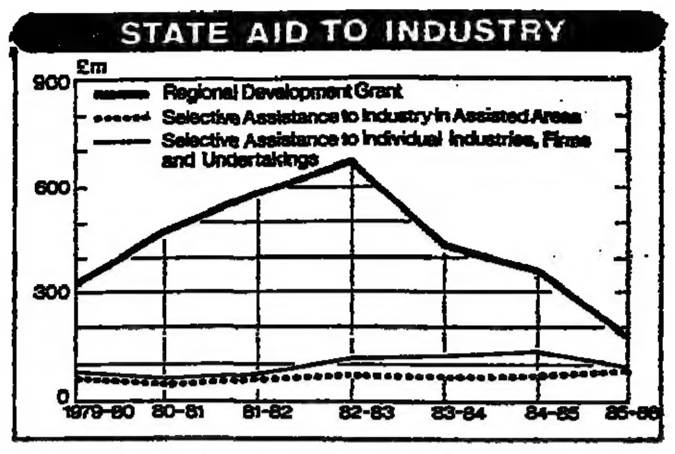
They will also advise clients to include an assessment of Government assistance when running through budgets and plans, and perhaps tailor projects around aid rather than the other way.

The specialists do not like to be seen as doing battle with Whitehall departments. "It is not our intention to try to pull a fast one over the DTI but to make the whole process go more smoothly," says Mr Tim Linacre, of the accountants, Deloitte.

They emphasise the importance of the proposal being drawn up in a way that officials can readily get to work on, so that the critical time span between application and offer can be managed.

In the Birmingham area, the DTI has a pilot project where proposals are put out to accountancy firms to be assessed, so it can be argued there is a certain logic to those proposals being drawn up by such firms.

STATE AID TO INDUSTRY



There could be a drawback with this increasing "professionalisation" of the grants process, by minimising contact between officials and companies and making the whole exercise more legalistic.

Whitehall points out that the quality of consultants is not uniform. Some are said to charge their clients a percentage of the grant which they get from Government, although most charge a fee according to time spent on the project.

Despite these qualifications, the consultants' stake in the grants business is likely to grow. Many companies do not have the expertise and persistence simply to find out what is on offer, particularly if it means obtaining information from more than one Whitehall department.

Meanwhile, Whitehall, rightly vigilant of the public purse, tries ever harder to meet its obligations to business at minimum cost. The recent report from the National Audit Office, the parliamentary watchdog, suggested that the Government had paid out more in the past than was necessary.

Procedures have been tightened but there was still room for improvement, the report said. It probably means more work for the specialists.

Holiday tour booking conditions labelled a public scandal

BY FIONA McEWAN

SHODDY booking conditions of holiday tour operators are causing a public scandal, according to the editor of consumer magazine Holiday Which?

Mr Jonathan Shephard accused travel firms of shoddy contractual standards with booking conditions which were "a highly successful confidence trick." His magazine had bulging files of holidaymakers complaints about alterations to date, price, hotel, resort and airport made by operators after bookings and payment had been settled.

"It is a public scandal that holidaymakers in one of their main purchases of the year, can have their care and forethought defeated by the action of a tour operator."

Addressing a young lawyers international association conference in Manchester, Mr Shephard said that booking conditions were full of doubtful or unenforceable exclusion clauses "which can con the public into settling for less than their legal rights." He said the amount of compensation offered was "derisory."

A spokesman for the Association of British Travel Agents, which represents more than 550 tour operators, described Mr Shephard's remarks as "mischievous and inaccurate," and called for them to be withdrawn.

Official figures on holiday complaints was low compared to other industries. In 1985, there were just 3.2 complaints per £1m spent, compared with 22 per £1m spent on household appliances, said the spokesman.

Surplus 'spells bargains'

FINANCIAL TIMES REPORTER

A SURPLUS of package holidays still unsold means last-minute holidaymakers could snap up some real bargains over the next few months, according to Thomas Cook, the travel agency.

From its survey of the package tour industry, the company reports that there are still 3m summer holidays available, many of them keenly priced.

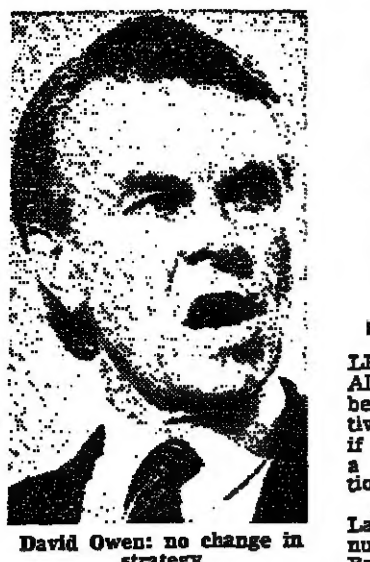
Mr John McEwan, Cook's managing director, said: "I think some of the tour operators over-read the likely 1987 summer market when they planned their brochures last year and now there is a mountain of surplus holidays.

He said that some tour operators, keen to shift extra sales, were "shifting their spare holidays by offering bargains which postpone the allocation of hotels until the client reaches the resort, leaving bargain-hunters very much in the dark about the final details of their holiday location and accommodation."

However, there were plenty of keenly priced package holidays available which people could book with confidence, he said, although many of the popular resorts were heavily booked at peak season in mid-July and August.

Examples of late availability holidays include: a seven-night apartment holiday from Glasgow to Corfu with Horizon for £79, or with the same operator, flying from Gatwick to Corfu, a seven-night bed and breakfast hotel holiday on Ibiza for £89.

UK NEWS – THE GENERAL ELECTION



David Owen: no change in strategy

Alliance unshaken by polls

By Tom Lynch, Philip Rawstorne and Ivor Owen

THE POOR Alliance showing in the polls would not force a change in campaign strategy, Mr David Steel, the Liberal leader, said yesterday.

Dr David Owen, leader of the Social Democrats, also refused to accept that the apparent slip in Alliance support meant a change in campaign strategy was required, with more emphasis being placed on attacking the Labour Party.

Mr Steel said that the Alliance's rating had slipped as low as 14 per cent during the 1983 campaign, recovering to 26 per cent in the election.

He said the parties had come through with a late surge in that election and at all their by-election successes since then. The Alliance would stick to attacking Labour in its strong areas and concentrating its national campaign on stopping the re-election of the Conservatives.

In Liverpool last night, Mr Steel accused Mr Thatcher of mimicking the Militant Tendency.

The Prime Minister's insistence that she would not negotiate *in a hung parliament*, he said, "is exactly the attitude that has led Liverpool to the brink of ruin and the fact that it comes from the hard right rather than the hard left makes it no better."

"We alone can check the folly of extremism on which the fanatics of far left and far right flourish," he declared.

Alliance leaders see hope for deal on defence

BY IVOR OWEN AND TOM LYNCH

LEADERS of the SDP-Liberal Alliance believe that they will be able to make the Conservatives an offer they cannot refuse if the Tories want to prevent a Labour minority administration in a hung parliament.

Alliance leaders argue that Labour's commitment to a non-nuclear defence policy puts Britain's security at risk and that they would be safeguarding the national interest if they offered to enter into a coalition with the Conservatives — the price of which would be concessions on proportional representation.

This emerged yesterday after Dr Owen challenged the Tory and Labour leaders to a public debate on defence while Mr Alan Beith, the deputy Liberal leader, implied that the Alliance would have to be convinced of the cost-effectiveness of any post-election defence deal.

Dr Owen has exerted his undoubted dominance in policy formulation to ensure that the Alliance commitment to a minimum nuclear deterrent has been presented in terms which leave open the choice of weapons to replace Polaris.

Mr John Cartwright, the Alliance defence spokesman, confirmed yesterday that the solution most likely to be favoured by the Alliance is the installation of cruise missiles on the hunter-killer submarines and on those now being built for Trident. However, he and Mr David Steel, the Liberal leader, were careful to emphasise that it was not the job of an opposition to favour particular systems.

tI seems that Alliance leaders would not be unduly surprise or alarmed if, during coalition negotiations with the Conservatives, they were presented with an assessment by the Chiefs of the Defence Staff showing that trimming the number of warheads carried by Trident was most likely to produce the least expensive and most effective deterrent.

Mr Cartwright said yesterday there was "no argument for continuing with the Trident programme while we can replace it with a cheaper and more suitable minimum deterrent." He argued that, no matter who won the general election, a thorough review of defence commitments would be needed to ensure that commitments matched the resources available. Trident would be "top of the list for reconsideration."

Dr Owen has already ruled out any possibility of a deal with a non-nuclear Labour policy and yesterday Mr Beith said there was "no way" the Alliance would be party to an arrangement which left the UK with "no foreseeable defence against nuclear blackmail." In a reference to Tory policy, he also ruled out a deal involving "nuclear commitments that don't add up."

Any deal involving the retention of nuclear weapons would present difficulties for Mr Steel, who recognises that his party must accommodate those whose opposition to nuclear weapons stems from Quaker or other pacifist beliefs—he has little time for the CND activists whose presence at Liberal assemblies has caused him so much embarrassment in the past.

To sweeten the Trident pill, the Alliance would insist on active steps to introduce proportional representation—even if that meant the Conservatives replacing Mrs Thatcher as leader. The most likely mechanism would be an act of parliament followed by a referendum.

Alliance leadership still smarting from the Conservative manifesto charge that their defence policy would lead to the unilateral abandonment of Britain's nuclear weapons, and Dr Owen was asked at a press conference yesterday whether the accussation would make negotiations with Mrs Thatcher more difficult in the event of a hung parliament.

The SDP leader, who was accompanied on the platform by Mr Steel, Mr Cartwright and Mr Beith, replied that, in view of the Prime Minister's insistence that she would not negotiate after the election, she should "negotiate or discuss or debate the question now.

"I will debate with her at any time that she chooses what she calls the central issue of this campaign — the defence issue and nuclear deterrence. It would be helpful if Mr Kinnock would also oblige."

Ashley Ashwood

ALL ABOARD MRS THATCHER'S PRIVATE BUS

MRS THATCHER — backed by husband Denis—yesterday inspected her campaign battle bus painted true Tory blue and boldly emblazoned with the slogan "Forward with Maggie," writes John Hunt.

The event took place in the London Docklands development area dominated by newly constructed office buildings and temples to advanced technology.

The Prime Minister enthused about the dynamic growth in the area, describing it as a "classic example of free enterprise and Toryism at work."

In fact the London Docklands had clearly been carefully selected as an appropriate backdrop for the television cameras.

The television companies are said to have imposed a self-denying ordinance to avoid having their selection of election pictures dictated by the major parties.

But there was not much sign of this yesterday at Mrs Thatcher disappeared behind a massive phalanx of television and newspaper cameramen.

Naturally, the Prime Minister immediately placed herself in the driver's seat to try out the controls. The air-conditioned bus is a complex control centre containing two computers, a television screen and all mod-cons for the comfort of Mrs Thatcher and her staff.

The glass is suspiciously thick but her staff declined to say whether it was bullet-proof. "We have taken certain precautions," said one.

"Could you raise your left hand?" asked one photographer as she examined the exterior of the vehicle.

"No, we go forward by the right," replied Mrs Thatcher sternly.

The Prime Minister said that she had not even seen that morning's Gallup Poll in the Daily Telegraph which gave the Conservatives 42 per cent, Labour 33 per cent and the Alliance 23 per cent. However, it was clear from her remarks that she was worried that the Conservative lead in the polls could lead to complacency on the part of her supporters.

"Three weeks is long enough for a campaign," she said. "I am always afraid people are going to get tired of politicians by polling day."

The party did look at opinion polls, she said, but the only one that mattered was when about 25m people went to the polls on June 11. The Conservatives would just go on "ful steam ahead" putting their policies to the electorate regardless of polls.

Gorman chosen for Billericay

MRS TERESA GORMAN, a former Westminster City councillor, has been selected to replace Mr Harvey Proctor as Conservative candidate in Billericay, Essex.

Mr Proctor resigned as the candidate last week and was fined £1,450 on Wednesday after admitting charges of gross indecency.

Mrs Gorman will be defending a Conservative majority of 14,615.

Labour claims win over Tebbit

BY LISA WOOD

THE LABOUR Party yesterday claimed it was completely justified in parapharsing comments about unemployment made by Mr Norman Tebbit, the Conservative chairman, during the 1983 general election campaign.

The comments, used in a Labour Party press advertisement earlier this week, provoked an attack from Mr Tebbit who denied using the words attributed to him.

According to the Labour advertisement Mr Tebbi said in a radio interview in 1983: 'If unemployment is not below 3m i nfive years, then I'm not worth re-electing."

Mr Tebbit wrote to Mr Kinnock challenging him to produce a tape recording or verified transcript. He said that if Mr Kinnock could do so he would personally pay £500 to a charity of the Labour leader's choice. If Labour could not produce evidence, he expected the party to pay £500 to a charity of his own choice.

Labour yesterday produced a tape of the interview, resurrected from its south London headquarters, and claimed victory over Mr Tebbit.

The radio interviewer had asked Mr Tebbit if in four or five years' time, should the Conservatives win, Mr Tebbit would be able to say unemployment had actually gone below 3m.

Mr Tebbit had answered: "If I did not think we could do that I don't think we would be in a position to win the next election."

Mr Bryan Gould, Labour's *campaign co-ordinator, said yes*terday: 'The statement we have attributed to him is exactly in line with the meaning of the words he said."

Howell unveils Labour plans for sport

By Lisa Wood

MR DENIS HOWELL, Labour's spokesman on sport, yesterday unveiled the party's programme for sport and leisure.

The programme, the result of a 12-month study, involved consultations with 289 national sports organisations. No other party, Mr Howell claimed, was producing such a comprehensive manifesto.

A first priority of a Labour government, he said, would be to stop the selling of school playing fields and, by strengthening planning procedures, to prevent football grounds from falling into the hands of financial speculators.

A Labour government, he said, would reduce football pool betting duty from 42½ per cent to 40 per cent on condition that the promoters and the Football Trust used the £12m a year saved for the benefit of sport.

Unionists set to fight

LEADERS of the Ulster Unionists said yesterday that elected candidates would only go to parliament to fight the Anglo-Irish agreement.

Mr James Molyneaux, leader of the Official Unionists s,aid: "We seek election to parliament with one aim only—to use our membership to put right a great wrong done to Ulster."

Labour odds shorten

Ladbrokes yesterday shortened the odds on a Labour victory to 4-1 from 6-1. Alliance odds have drifted to 66-1 from 33-1 and the Tories have eased to 1-7 from 1-8.

Communist Party launches manifesto

By Tom Lynch

THE COMMUNIST Party yesterday put a brave face on the bruising struggles of the past few years to launch its manifesto.

The party's troubles, which culminated at its 1985 conference with the victory of the Eurocommunist faction over the Moscow-leaning hard-left grouping, has left the party with fewer than 10,000 members and without control of the Morning Star, the daily newspaper which has preached the party line in previous general elections.

Another measure of the damage wrought by the internal feud is that the party is fielding only 19 candidates, down from 34 last time. Yesterday, Mr Gordon McLennan, the party's general secretary, presented the manifesto with great solemnity, flanked by five of those candidates, all trying not to look as if they expected to lose their deposits.

There is also the slight electoral problem that the most famous advice recently given by one of their luminaries was Professor Eric Hobsbawm's recommendation of tactical voting to defeat Mrs Thatcher. The official line is that Communists who do not have the good fortune to live in a constituency with a Communist candidate should vote Labour.

Mr McLennan accepted yesterday that some people would vote tactically in view of the country's voting system—the fact that the CP is a long-standing advocate of proportional representation is one of Britain's more obscure political facts. However, he said: "As a British political party entering this election we consider that to advise that approach on a mass, all-British scale would be counter-productive."

He indignantly denied charges that Communists standing in marginals such as Greenwich would take votes away from Labour. The 19 constituencies had been chosen on the basis of their record of Communist activity. "The participation of Communists is a political question, not a mathematical question."

Mr McLennan said the advice to vote Labour where there was no Communist standing was given because of "the central necessity of ending eight years of Thatcher government," and was in spite of major inadequacies in Labour's stance.

He said Labour's pledge to cut unemployment by 1m in two years was "a laudible but insufficient aim." The target should be set higher, which would involve "more powerful action against big business and multinational *corporations*." He was also critical of a clear commitment to repeal all union legislation.

If Mr McLennan was in tune with the Kremlin, there was no sign that he was praying for a Labour victory on the basis of defence policy. The scrapping of nuclear weapons was all very well in as far as it went, but he did not accept that the motivation should be to build up conventional forces in a more powerful contribution to Nato.

Labour campaign on a new platform

David Brindle looks at an agent's role in a role-changing constituency

SOMEHOW IT would not seem right if the Labour committee rooms did not have the battle-scarred trestle tables (on loan from the Co-op), the wooden folding chairs and the inky Roneo duplicator.

Sure enough, these time-honoured campaign essentials are all present and correct at Labour's election offices in Swindon, Wiltshire. But so, too, are some gadgets quite undreamt of in the days when the town's railway workshops virtually ensured the regular return of a socialist MP.

Not only is there an electric typewriter and photocopier, but there is even a computer that has already dealt with the once Herculean task of completing address labels for all 87,000 voters in the constituency, the ninth-largest in the UK.

It may be a mixed blessing, as local labour agent Mr Jeff Walton admits. "We used to have dozens of people writing them and they used to love doing it, in a way. But the time commitment was just so vast. Anyway, we'll still have them stuffing the envelopes."

Both in running the campaign and in planning it, Labour accepts the need to adapt and change, if necessary, if it is to regain the Swindon seat it lost to the Tories in 1983 in a result seen as reflective of the town's change.

The run-down of the railway workshops and the continued growth of high-tech industry has in the past four years accelerated the change. But Mr Walton believes that Swindon remains at heart a Labour town and that a sharper approach by a local party sin:e doubled in size will set the record straight.

So convinced is he that, at 36, he has given up his job as a chemistry teacher to concentrate on his work for the party and its Swindon candidate, Ms Gaye Johnston.

"At this stage in my life I felt it was the right thing to do," he says. "If we lose it means I go back to teaching; if we win, then with a bit of luck Gaye will have a bit of money to employ some help and she might choose me."

Mr Walton is typical of the spare-time agents who make up the overwhelming majority of Labour's forces in the field. Although he quit teaching last Christmas, this week will be the first in which he has drawn a wage—probably £100, he thinks—depending on other campaign expenses. His wife Lesley, who works for a housing association, is herself a Labour activist and fully supports his decision to leave his job. They have no children.

Roger Taylor

Jeff Walton: teacher turned political party agent

That Mr Walton can even consider taking a wage during the campaign is probably thanks to NUPE, the public workers' union, which is sponsoring Ms Johnston and is thus helping the party to spend right up to its statutory limit for the constituency of almost £5,900.

Not that the money is in the coffers yet. Collecting the funds and liaising with the party's bank (the Co-operative—"very understanding," says Mr Walton) is one of the agent's prime responsibilities. With the constituency party suspended during the campaign, the agent becomes the sole party official.

In addition, Mr Walton has arranged insurance cover for any accidents that occur during the campaign and, by Wednesday's deadline, he must have completed and lodged the candidate's nomination papers duly signed by 10 electors and backed by a £500 deposit.

From the weekend, he will oversee canvassing by upwards of 100 party workers every night, rising on polling day itself to perhaps 400—including volunteers drafted in from less-winnable constituencies nearby, such as Devizes. (Though he adheres to the "broad church" view of the party, Mr Walton would deal "severely" with any attempts to peddle the views of Militant Tendency or any other factions on the doorstep.)

He will organise probably only four public meetings, apart from sessions arranged by groups such as churches or residents' associations. "You hold a public meeting and get about 25 people, most of whom are party members," he says. "Things are far more linked to target groups and direct mail these days."

Local Labour strategists have identified no fewer than 20 target groups for direct mail-shots, including young voters, ethnic minority groups, former railway workshop employees and households likely to suffer from a Tory-imposed poll tax: a three-adult family would pay £291 a year more in Swindon, Labour claims.

Most of Mr Walton's attention so far has concentrated on cultivating an expected 2,000 postal voters, 80 per cent of whom are likely to be Labour supporters on his reckoning.

As Conservative candidate Mr Simon Coombes is defending a majority of only 1,395 (2.5 per cent) and as SDP candidate Mr Derek Scott is looking to increase his 1983 vote share of 24 per cent, the postal votes could be crucial.

Crucial, too, could be the appeal of Labour's election address—mailed towards the end of the campaign to each voter and evidently Mr Walton's pride and joy.

"We've got full-colour addresses going out in nice white envelopes. If we didn't have the money, it would be black and white in manila envelopes," he says.

UK NEWS — THE GENERAL ELECTION

Kinnock pledges to restore teacher negotiating rights

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, yesterday refused to be drawn on the teachers' decision to escalate their disruptive action in the run-up to the general election but pledged that a Labour government would, within hours of being elected, remove the cause of the dispute.

Mr Kinnock, who was visiting schools in Newcastle, said the teachers' action represented "a measure of the immense resentment" at their treatment by the Government.

He said that one of the first decisions to be taken after he moved into Downing Street would be the restoration of the negotiating rights to which the teachers' professional status and performance entitled them.

Of the latest decision by the teachers to double the number of strikes in the two weeks before the election, Mr Kinnock emphasised that it was one for the teachers alone to take and that he did not want to superimpose a view on a free trade union.

Referring to the recent suggestion by Mr Giles Radice, the shadow Education Secretary, that the teachers should withhold their action during the campaign, Mr Kinnock said a "strategic approach" had been suggested to the teachers but that they had been under no obligation to accept it. He added: "That is what happens in a free society."

Mr Kinnock, who gave a cautious welcome to the opinion poll evidence that Labour is closing the gap on the Tories, repeated his challenge to Mrs Margaret Thatcher to debate policies with him face to face. He said: "The more exposure Mrs Thatcher gets the more we have a guarantee of our continuing progress."

The Labour leader attacked the Government's education proposals, claiming it was trying to run schools "as if they were supermarkets." He claimed that teachers and parents were aghast at what he called "the audacious gimmicks and stunts" of Mr Kenneth Baker, the Education Secretary.

Mr Kinnock accused ministers who did not trust the state education system to teach their own children of ignoring the opportunity to make British schools fit for the future. They had, instead, "subjected education to dogma, insecurity and insults."

He continued: "Not content with increasing social division and disabling our economy in the past eight years, the Tories now want to intensify that division and disability by imposing marketplace methods on schooling."

BIM hits at parties over training

BY FIONA THOMPSON

BRITAIN'S managers fiercely attacked all three main political parties yesterday for ignoring in their manifestos the "vital issue" of management training.

"We were shocked and appalled that one of the most crucial problems facing the country received not one word of attention in the Conservative, Labour or Alliance manifestos," Mr Peter Benton, director general of the British Institute of Management, said yesterday at the institute's launch of its Managers' Manifesto.

'It is the classic example of physician heal thyself," said Mr Brian Wolfson, BIM chairman.

Only one in 10 managers entering industry in Britain had any management training, compared with nine out of 10 in the US. The number of people taking a basic management qualification each year needed to rise from the present 2,000 to 30,000 or 40,000.

"How can you have a broad enterprise culture without adequately trained managers? Effective management is crucial in the generation of wealth, for the benefit of the entire population," said Mr Benton.

The institute, which represents 75,000 managers in the UK, said in its manifesto it expects the new Government to create a climate of enterprise and innovation.

"Managers are keen to improve the UK's industrial and trading position and the Government has a role in providing a clear industrial strategy," said Mr Benton.

The manifesto calls on the Government to spend more in specific areas, particularly on infrastructure and research and development; to make strikes in essential services unlawful; to reform the local government rating system and to encourage profit-sharing schemes.

Greens sow their campaign seeds

BY FIONA THOMPSON

THE GREEN PARTY has one thing in common with Mrs Thatcher—it too has its eye on the next century.

"The Greens are concerned about tomorrow and beyond, not just this century but the next as well," said Ms Jean Lambert, co-chair of the party council, at yesterday's campaign launch.

"You can have the best education system in the world, a wonderful health service, increased prosperity for everybody—but all that is no good if the air is unfit to breathe, the water is poisoned, the soil is polluted and the threat of annihilation hangs over the whole planet."

The Green Party may have lost all its deposits in the last general election but claims great success in bringing green issues to the centre of the political agenda since then.

At least 140 candidates are standing on the Green ticket, in spite of the rise in the deposit to £500.

The manifesto, to be launched next Thursday, will include unconditional unilateral nuclear disarmament, withdrawal from Nato, and the introduction of proportional representation.

Class told of credentials needed for No. 10

By Our Political Correspondent

A CITIZEN of the world with deep reserves of "stickability" are the principal qualities listed on the curriculum vitae of Neil Gordon Kinnock, privy councillor, Labour candidate for Islwyn and the 45-year-old applicant for the post of Prime Minister.

At the end of a day's campaigning on Tyneside, during which the Labour leader appeared confident, relaxed and on top of his brief, Mr Kinnock found himself in the library of Tynemouth Sixth Form College answering well-targeted questions from a group of equally well-briefed students.

As one of his young and self-possessed audience pointed out, their guest's designs on No 10 made his description entirely appropriate. What, she asked, were the qualities which he believed entitled him to harbour such ambitions and why would he make a better Prime Minister than Mrs Thatcher.

Mr Kinnock who was earlier in a genuine "class struggle" as he forced his way through an infants' school packed with wide-eyed children and red-eyed journalists responded in the assertive style all applicants are told is essential for success in such cross-examinations.

He said he had demonstrated a toughness and resolution and had clearly shown that he knew what he wanted for the country. What he wanted was to make it fit for the future, a phrase used earlier in the day in respect of education services under Labour.

Mr Kinnock said that in three and a half years as Labour leader, he had demonstrated a consistent sense of purpose and toughness in sticking to it although toughness was not in itself enough for anyone who wished to lead a democracy.

The leader's interview will continue today in his own, South Wales constituency, next destination on his nationwide tour. Three nail-biting weeks from today he will know if he has got the job.

Michael Cassell on a city facing three marginal contests

Personalities on knife-edge

Ashley Ashwood

Marginal defenders (from left): Derek Spencer, Greville Janner and Peter Bruinvels

"PETER BRUINVELS—Man of Action," reads the headline on the election pamphlet of the Tory candidate for Leicester East. His fiercest parliamentary critics would not deny him that particular accolade, though few believe and many hope that no amount of action on his part will get him back to Westminster next month.

Since his election victory by just 933 votes in 1983, Mr Bruinvels—best remembered for his self-appintment as the public hangman—has rarely been out of the headlines.

When he has not been banning cross-bows, saving red telephone boxes, rising to ask one of 224 questions in the Commons or submitting one of 1,793 others for written answer, the former researcher, company secretary and management consultant has been trying to build a power base in one of the most marginal constituencies in the country.

An expert in handling redundancies—he claims he successfully sued Mr Robert Maxwell for wrongful dismissal—Mr Bruinvels is now fighting hard to prevent another period of enforced unemployment.

Neither is Mr Bruinvels—a fan of weekend walkabouts to meet the voters—alone in trying to win another mandate from the people of Leicester. Next door in Leicester South, Mr Derek Spencer for the Tories has the dubious honour of holding the smallest parliamentary majority of all—seven votes put him in last time. In Leicester West, which completes the city's political map, Labour's Mr Greville Janner is defending a shaky majority of only 1,712.

Mr Spencer himself is not depressed by the scale of his task, given local election results which would have given Labour a 1,000 majority in his seat. "I was a newcomer in 1983 and if I could win then, I have certainly improved my chances since then. I regard it as a privilege to be at the front of the front trench of British politics."

A Queen's Counsel and parliamentary private secretary to the Attorney General in the last parliament, Mr Spencer takes heart from past evidence that it has proved hard to shift the incumbent from his seat.

An ardent supporter of capital punishment, who was dubbed "Judge Jeffreys" by one political opponent for his performance during the committee stage of the abandoned Criminal Justice Bill, Mr Spencer is up against tough opposition in the shape of Mr Jim Marshall, the Labour candidate he defeated in 1983. Of Mr Marshall, he says: "He has been off the boil for four years and I have been bubbling away."

The former Labour MP once signed a Commons motion criticising the Tory Government over the death of IRA hunger-striker Bobby Sands and Mr

Spencer says he intends to remind people of his opponent's sympathies.

Like Mr Bruinvels, Mr Spencer acknowledges the importance in Leicester of the ethnic community, which in parts of the City accounts for up to 27 per cent of the electorate. Mr Spencer says the Tories stand to do well on education among Muslim voters, in the light of his support for single-sex schools and his rejection of the gay rights movement.

The ethnic isue will take on an even wider dimension for Mr Bruinvels, given that his Labour opponent is Mr Keith Vaz, a Portuguese-Goanese left-winger who was one of the inspirations behind the party's black sections movement and claims to talk on behalf of the local, ethnic population.

But Mr Bruinvels says he is winning strong support from the Hindu and Muslim communities and, though he will not make anything of it in the campaign, also privately believes that the presence of an Asian candidate, particularly one with a left-wing background, will deter some traditional supporters.

In 1983, Mr Bruinvels clearly benefited from the previous defection of Mr Tom Bradley, the sitting Labour MP, to the Alliance which split the vote for Ms Patricia Hewitt, now Mr Neil Kinnock's press secretary.

This time, he will have no such help and a national survey of marginal seats shows that, for all his hard work, he can expect to lose. He remains defiant: "Any seat with a majority of less than 1,500 is up for grabs. But mine is not going to be grabbed."

For Mr Janner, a Jewish barrister who has held Leicester West for 17 years, after his father's 25-year tenure, the contest will also be as much about personalities as politics. He appears wholly confident that the Janner dynasty will continue, denying even that he knows or cares about the identity of his Tory opponent (Mr Jim Cooper from Solihull).

But Mr Janner's slim majority does not justify any over-confidence, despite his claim to hold the support of the all-important ethnic vote. A tireless constituency worker, his personal appeal has long held him in good stead, but he has had some skirmishes with his local constituency party and his grip on the local scene is, arguably, not as strong as it once was.

He says he will fight on the issues of jobs, health and law and order and will not attack his opponents. If the unthinkable happened, he would find no trouble in filling his time—as a director of Ladbrokes, the proprietor of a publishing house and a lecturer in law.

Logic suggests that, if the two Tories lose, Mr Janner should win, or vice-versa. But there are strong personality factors at play which could just wreak havoc with national voting patterns. As Mr Spencer puts it: "On June 12, we could have won all three seats or lost all three. It is on a knife-edge."

1983 elections results — Leicester East: P. Bruinvels (C) 19,117; P. Hewitt (Lab) 18,184; T. Bradley (SDP/All) 10,362. C majority 933. Turnout 73.2 per cent.

Leicester South: D. Spencer (C) 21,424; J. Marshall (Lab) 21,417; R. Renold (Lib/All) 9,410. C majority 7. Turnout 72.3 per cent.

Leicester West: G. Janner (Lab) 20,837; R. Meacham (C) 19,125; S. Fernando (SDP/All) 5,935. Lab majority 1,712. Turnout 68.8 per cent.

Why a service economy is no panacea

In the final article in this series, Anatole Kaletsky and Guy de Jonquieres look at attempts to fill the gap left by the decline in manufacturing

DURING THE last decade, beginning well before the advent of Reagonomics, the service industries have come to be regarded as a panacea for America's economic problems—futuristic and dynamic industries would sustain America's economic dominance regardless of the gradually emerging problems of the manufacturing sector.

But for Congressman Buddy McKay of Florida, a state which has enjoyed more service-led growth than almost any other part of the nation, there is no allure in a post-industrial future. "Our fear is that our destiny is to become a service economy. We are competing like crazy to get more manufacturing jobs that will pay a wage above the prevailing service industry rate. We desperately need the manufacturing jobs if we want our state to be a place where our children can grow up and afford to live."

For Professors Stephen Cohen and John Zysman, two economists at the University of California at Berkeley, even the concept of a service-based economy is bogus—a point which they argue in over 300 pages in a recently published book, "Manufacturing Matters," with the subtitle "The Myth of a Post-Industrial Economy."

For Brian Quinn and Christopher Gagon, two management professors at Dartmouth College, the services are the foundation of national prosperity; but they wonder whether American companies are really proving any more successful in this sector than they have in manufacturing in the past. "Will services follow manufacturing into decline?" they asked in the title of a major article in Harvard Business Review last December.

Their conclusion is generally *damning*: "Inattention and complacency threaten to undermine the competitive ability of these industries at a time when their importance to the national economy has never been greater."

A few years ago, it would have seemed almost unpatriotic for Americans to make any of these statements. In economically sophisticated circles, it had become an article of faith that *services* like banking, telecommunications and computer programming would form a firm foundation for continuing prosperity long after traditional manufacturing industries were swept away in the never-ending cycle of shifting comparative international advantage.

In fact, since 1973, when Professor Daniel Bell of Harvard first popularised the concept of "the post-industrial society," few *economic arguments* have been so frequently reiterated as the analogy which he drew between the decline of manufacturing today and the shrinkage of agriculture in the pre-war era.

US agricultural employment collapsed from 20 per cent of the labour force in 1929 to 3 per cent 50 years later, but this process of "creative destruction" seemed *to do nothing* but good for the American economy and US living standards.

In the past few decades, the same kind of natural and healthy transformation was said to be displacing manufacturing. Manufacturing employment has shrunk from 34 per cent of the non-agricultural total in 1950 to 19 per cent in 1986, while service jobs have expanded from 59 per cent to 75 per cent, with the other 6 per cent now accounted for by construction and mining.

> '...from agriculture to manufacturing to services is a natural change'
> President Reagan

But there has been no cause for concern about this evolution. Between 1965 and 1986, the US *economy* created 38.5m new jobs. Not a single one of these was in the manufacturing sector, where employment actually slipped from 19.2m to 19.1m during these 21 years; in the services, on the other hand, employment nearly doubled from 38.3m to 75.2m.

The early Reagan Administration, with its *benign neglect of* the exchange rate and its studied indifference to the declining competitiveness of the manufacturing sector, brought this post-industrial argument to its apotheosis.

"The move from an industrial society to a post-industrial service economy has been one of the greatest changes to affect the developed world since the Industrial Revolution. The progression of an economy such as *America's from agriculture* to manufacturing to services is a natural change," the President himself argued two years ago in a report on trade to Congress.

Today few Americans are quite so sanguine about the post-industrial economy. There are at least four reasons why scepticism is spreading about excessive reliance on the service sector. The first and, for most Americans, the most important reason for the lack of enthusiasm is the one put by Congressman McKay: the service industries tend to pay low wages.

In 1986, average gross weekly earnings in US manufacturing were $396. Earnings averaged $275 in the service industries. In fact, the steady shift from manufacturing to service employment has been largely responsible for the long term stagnation of US income levels which lies at the root of the whole competitiveness issue.

The reason for low service wages is straightforward and, from the professional economist's standpoint, equally damning. The service industries have shown miserably low productivity growth for many years. This also explains why the share of services in US employment has grown so rapidly, while the share of services in GNP has hardly increased since 1960 (see charts).

But why have productivity and wage performance been so feeble in the service industries? This question leads to the second cause for concern about the trend towards a post-industrial economy.

In many ways the concept of "the service sector" is misleading. A hairdresser, shop assistant or hot dog vendor has nothing in common, from an economic standpoint, with an airline pilot, software engineer or investment banker.

It is the latter category of "high value added" service occupations that is evoked when bullish sociologists and politicians describe their visions of the post-industrial "information economy." But in reality, the overwhelming majority of new service jobs have been created in the humdrum, no-tech first category.

Thus President Reagan, in one of his reports on trade to Congress, maintains that "virtually all the 20 highest-growth occupations for the 1980s are involved with the handling of information."

He went on to provide a strange and motley roll call of these alluring service occupations: computer programmers, analysts and operators, operators and mechanics for data processing machines, economists, travel agents, aero-astronautical engineers, psychiatric aides and para-legal personnel.

However, as Professors Cohen and Zysman point out, the President does not mention that "despite the projected rapid growth of this heterogeneous group, together they don't add up to the increase in fast-food workers."

Indeed, of the 17.1m non-government service jobs created in the US between 1972 and 1984, 22 per cent, by far the largest single group, were in restaurants and retail trade, a sector where average hourly earnings were 38 per cent below the level in manufacturing.

In the most important subcategory within this group—eating and drinking places—productivity, according to the Bureau of Labour Statistics definitions, has been declining by 0.4 per cent annually throughout the 1970s and early 1980s.

To make matters worse, some of the futuristic industries which are supposed to make the service economy so attractive also turn out to be low payers with less than dynamic productivity records.

How productivity is to be measured in industries like health care, banking and insurance is a vexed question. For what they are worth, the Bureau of Labour Statistics does compile indices based on measures of physical output, such as the volume of transactions cleared by the commercial banks.

In all these industries, the estimated growth rates have been feeble. Commercial banking, for example, enjoyed an average increase of output per employee hour of only 0.8 per cent from 1970 to 1984, despite the banks' vast investment in computers, automated tellers and other supposedly labour saving innovations.

Many economists, to say nothing of managers in service industries, deny the validity of all such productivity measures for service industries. Thus, for example, Edward Denison, the Brookings Institution economist who is probably the world's leading authority on productivity and growth accounting, maintains that the official statistics inadvertently transfer many of the productivity gains made in service businesses to the manufacturing industries which these businesses serve.

As much as 80 per cent of the productivity differences between the manufacturing and service sectors in recent years is due to the immense advances made in the manufacture of computers, he argues. But "how meaningful are measures of individual industries' productivity if computer manufacturing is improved because of the work of independent designers, inventors or software writers?" he asks.

This question raises the third doubt about the post-industrial scenario for America's economic future. Many of the high-technology, high value services on which US living standards may well depend in the future are closely tied into manufacturing industries. If the manufacturing sector declines or moves abroad, it will be followed by many service jobs.

Cohen and Zysman, in their book "Manufacturing Matters," estimate crudely that as many as half the service jobs in the US may depend on manufacturing through what they call "a tight or moderate linkage." These linked service providers range from the truckers who move components from one manufacturing plant to another

> A hot dog vendor has nothing in common, from an economic standpoint, with a software engineer

and who would automatically lose their jobs if fully assembled products were simply imported from abroad, to the investment bankers who might or might not be able to establish financing links with foreign manufacturers if US production shifted overseas.

But even if the direct interdependence between the services and manufacturing were insignificant, there *is* a further issue. Is there any reason to suppose that Americans are better at running service industries than manufacturing businesses? The strength of many US service companies, in contrast to their counterparts in manufacturing, may be explicable by some inherent talent *among American managers* for running "people-oriented" businesses.

He went on to *provide* a strange and motley roll call of these alluring service occupations: computer programmers, analysts and operators, operators and mechanics for data processing machines, economists, travel agents, aero-astronautical engineers, psychiatric aides and para-legal personnel."

However, there is no concrete evidence for this. Nor is the case borne out by casual observation of the industrial relations and marketing problems of the US airlines, the lengthy queues and appalling level of service in many *US banks* or the surprisingly low production standards of much US advertising.

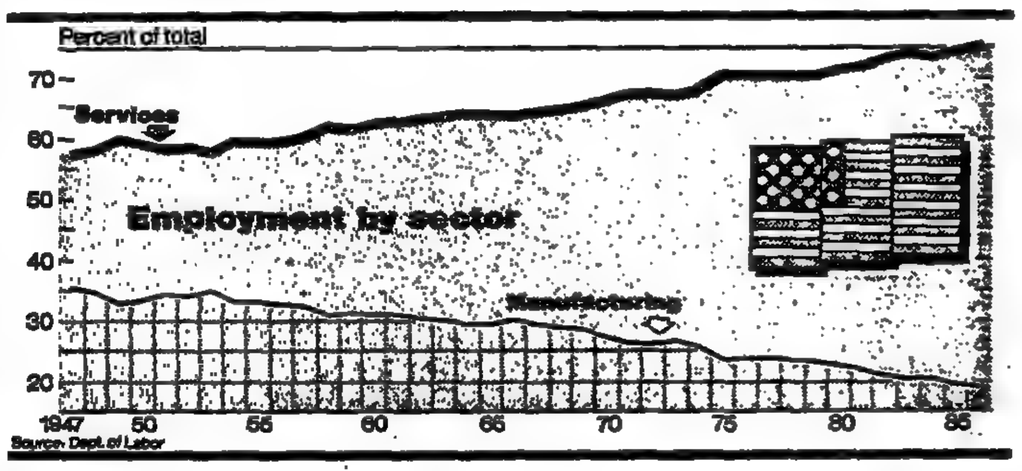
A likelier explanation for the relative prosperity of the service economy lies in the insulation of many service businesses to foreign competition, many of these businesses will continue to be protected against incursions from abroad by their very nature; they have to be supplied at the point where they are consumed. But this very feature of services like retailing or policing will also ensure that they can never make up for the international competitiveness which much of the manufacturing sector has lost.

Other services, on the other hand, are gradually becoming more and more exposed to influences from abroad. As a result of technological change and deregulation, services like tele*communications*, airlines, banking and insurance are rapidly taking their place alongside the traditional commodities of international trade—and US government policy *is* doing all it can to accelerate this development.

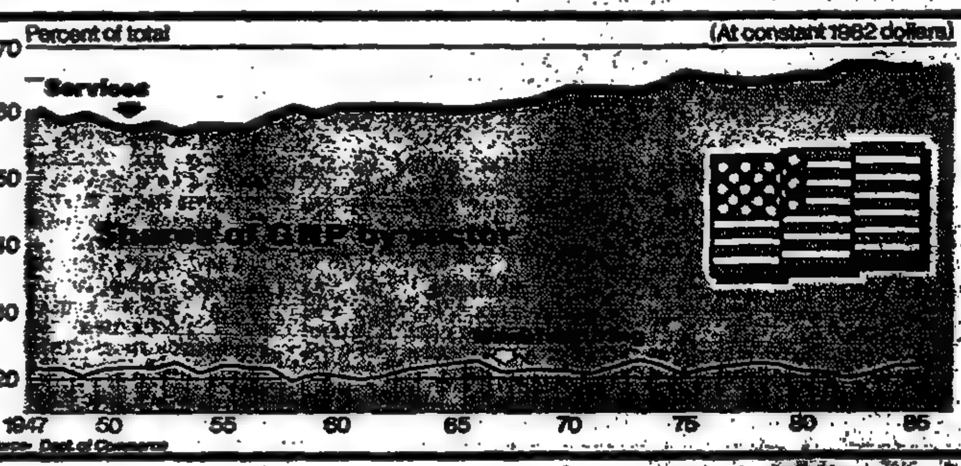
Because these services are at least a decade behind the manufacturing industries in their international exposure, it is still too early to judge how many of them will prove vulnerable to *competition from abroad*. But the initial indications are not encouraging. Today only 11 of the world's *biggest* 100 banks are based in the US, while 24 are based in Japan and 50 are from Europe.

There are, of course, at least as many success stories, ranging from American Express to McDonald's and Electronic Data Systems, to counterpose against the failures. However, the warning signs are clear. As Professors Quinn and Gagnon conclude in their Harvard paper:

"It will take *hard* and dedicated work not to dissipate our broad-based lead in services, as *we did in manufacturing. Many* of the same causes of lost position are beginning to appear. *Daily* we *encounter* the *inattention* to quality, emphasis on scale economies and short-*term orientation* that earlier injured manufacturing."



Source: Dept. of Labor



Source: Dept. of Commerce

Previous articles in this series appeared on May 11, 13, 18 and 20.

TECHNOLOGY

Glare-free lamps and a sunnier lounge

Roy Garner in Tokyo explains how the Japanese are bending the rules on the behaviour of light

JUST AS optical fibres are stretching horizons in data *transmission*, "luminous flux control" (management of the amount of light falling in a given area), is about to revolutionise our visual environment. The technology promises such advances as glare-free, highly energy efficient car headlights and street lamps, perfect wall-size projection of liquid crystal display (LCD) colour TV pictures and major improvements in materials inspection processes. It could even bring sunlight into north-facing rooms. And, yes, it is all done by *mirrors—though this is no* detraction.

Studies over the past nine years *by researchers at Nisshogiken* Inc. in Japan, have highlighted the bottlenecks faced by *conventional* image-projection, cathode-ray tube and LCD technologies—notably the difficulty of producing the large-scale images, of high quality and cost-efficiency, which are increasingly demanded. In the case of the LCD, the image actually improves in proportion to its miniaturisation.

Taking the cathode-ray tube as an example, it can be seen *that the main obstacle to progress* is the fact that the key functions of producing light, colours and images are integrally combined, precluding any localised enhancements for the removal of image distortion, *colour shift or non-uniform* brightness.

> A high-quality TV image 20 times original size has been made possible

The researchers at Nisshogiken split these functions, using a xenon discharge lamp for light production, filters for colour production and a LCD unit to produce images. They then developed the remaining essential requirement, a system to manipulate the intensity of the image. This involves the use of mirrors with free-curved surfaces evolved by computer-aided design. The company has already taken out 50 worldwide patents on these flux-control processes.

The remarkable degree of control over the flow of light which this technology facilitates is best illustrated by the company's projector systems. This unit can be placed at any distance or angle relative to the screen and the image always remains in focus and free from distortions, even if the "screen" is an uneven surface such as a living room wall.

If several projectors are used, separate images can be superimposed, or can be placed side by side with a seamless join—the latter facilitating super-large composite pictures. By inserting a LCD into the pro*jector instead of a transparency* (a 2 in LCD is currently used) a high-quality TV image 20 times original size can be produced, featuring uniform brightness and an absence of colour shift.

In another form of projector technique, a "headless" projector can be used for the *inspection of refraction changes* or defects in transparent bodies or fluids. Such products as compact discs, integrated circuit designs, lenses and machined *surfaces*, which are currently inspected by the use of TV displays, can be analysed using a larger, distortion-free and constant-focus image.

Based on similar optical principles, Nisshogiken has also

> Pictures from several projectors can be joined seamlessly for extra-large displays

developed *a new acrylic plastic* screen. Called a Fresnel screen, it is flat but has lens-like pro*perties. When attached to* a video display terminal the material gives a reflection rate of 0.06 per cent, equivalent to some ten times less glare than that of current screens.

Souya Mori, sales manager of Nexy Corp., which handles sales and marketing of Nisshogiken - developed products, *says this material* can also be applied to the likes of car headlights, floodlights and stage lights, to project a highly uniform, glare-free, cast of light, *from almost any angle of* origin.

In the case of street lighting, Mr Mori estimates that a cost-saving of 30-50 per cent could be achieved through the elimination of light-spillage—enabling the use of lower-powered lamps.

This highly uniform spread of light can also be beneficial in delicate heating processes. In lamp-anneal techniques, in *semi-conductor manufacture*, for example, the absence of any "hot spots" is critical. Mr Mori suggests that since the wafers being handled by makers are steadily increasing in size this problem will become more acute.

Just as the fresnel screen can deflect light, it can also gather it. By fixing the material to the windows of rooms which receive no direct sunlight, a major increase in brightness can be achieved. Mr Mori estimates the level of light in a *room could be boosted by* as much as 30 times by using the modified windows.

The open and shut case for Toronto's £120m super-stadium

BY DEREK COOMBER

THE world's first sports and leisure stadium with a retractable roof that can open or close within 20 minutes is under construction on an 11-acre site in Toronto.

The *Dome*, a 55,000-seat harbour-front complex being built at a cost of C$245m (£120m), *is* scheduled for completion in April 1989. From the playing field to the top of the *roof it* will rise 90 metres, the height of a 30-storey building.

A four-piece steel skin, unsupported by pillars, *will form* the eight acres of roofing in a half-moon shape over the 900 ft diameter *stadium*. Hydraulic controls will be used to move three of the panels, while a northerly *section will remain* static.

Two of the three moving sections will be parabolic arch plates supported on a set of parallel tracks on each side and will be "*stacked*" at the northern end of the stadium when the roof is open.

The third section is a highly creative quarter dome which will move in a clockwise direction on a circular rail. Interconnected steel trusses will support two corrugated steel deck plates which will be covered with a single white PVC membrane, giving acoustic and thermal insulation.

To open, the stadium roof's south quarter dome will traverse 180 degrees to position itself on top of the *stable* northern section, then the two intermediate panels will slide over to nestle on *top*. The stadium will be 91 per cent open at this stage, giving just enough *shade for giant replay* screens to be seen by sports spectators.

The panels will be supported on 300 mm by 300 mm steel tubes built on to the roof trusses, *which will be about* 4½ metres deep. *A single ply* rubber roofing membrane will add insulation properties.

The stadium will be the official home of the Toronto Blue Jays baseball team and the Argonauts football team. It is a joint project by provincial and city governments and private corporations, including the Canadian Imperial Bank of Canada, Ford Motor Co of Canada, Coca Cola, McDonald's Restaurants of Canada, Merrill Lynch and Xerox Canada.

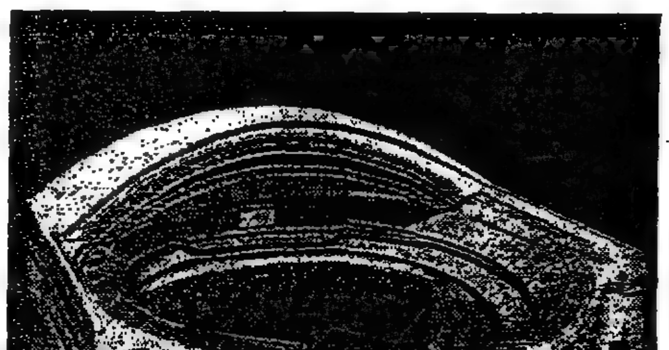
Mike Allen, the 45-year-old structural engineer in charge of the roof project anticipates few teething problems because *several* models have been built of the structure including a three-metre brass version. Wind *tunnel tests have also* checked load and environmental stresses.

Calculations involved in the complex geometry of the curvatures in the roof structure took a year using computer-aided design equipment, says Mr Allen.

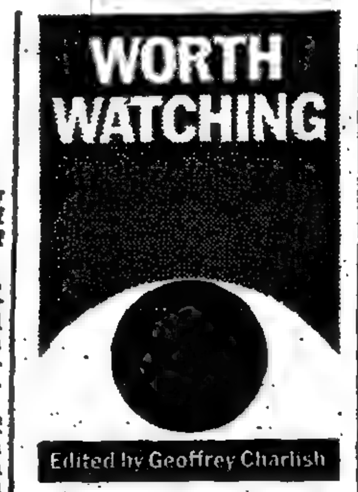
As the C$50m (£22.5m) roof structure will be assembled on site piece by piece he emphasises that all parts will have been rigorously tested and hydraulic controls checked six *months before the stadium* opens.

Architects to The Dome project are Robbie Sane, and Carr Donald Associates is providing the roof drive technology.

A hotel, restaurant and night club extension will follow completion of the stadium, at a further cost of C$100m (£46m).



With the roof back the stadium will be 91 per cent open, giving just enough shade for giant display screens to be seen by spectators



Testing time for electronic designs

IN ELECTRONICS design and manufacturing, the information generated in a screen and keyboard computer-aided design system for electronics *boards or chips* is just what is needed in automatic test equipment. Having designed and simulated the circuit, most of the information needed to test it must also have been created. However, in practice the design data is not suitable as it stands and needs extensive *modification*.

Direct connection of computer-aided engineering data into the tester is an important step in realising computer integrated manufacturing (CIM). Factron Schlumberger of Wimborne, Dorset, in the UK has therefore developed suitable conversion software called ITG (intelligent test generation). ITG translates simulation data into a test program for the board or chip, previously a time-consuming manual operation.

It takes all the data from the design system that describes the interconnections and voltages on the board and processes it into Factron's own board description language. Then, utilising the testing database of the model 720 autotester, it derives test programs that can run without modification.

American Indians to use solar power

AMERICAN INDIAN tribes in Oklahoma are set to be the first large-scale users of electricity derived directly from the sun.

Alpha Solarco, the Cincinnati, Ohio solar power specialist, has signed two $175m development contracts with the Pawnee and Otoe-Missouria tribes. The company plans to build two 70 megawatt generating stations on tribal lands. Each station will supply half its total power using photo-voltaic technology and the other half by gas-firing. The sun-power electricity might go direct to consumers, or be used to meet extra demand on conventional electricity plants at peak times.

Sunlight falling on the surface of photo-voltaic cells is converted directly to electricity with efficiencies which reach 10 to 12 per cent in the best designs. Connected together, the cells can provide various combinations of direct current and voltage which can be converted by modern power electronics to alternating current for consumer use.

Alpha Solarco has been set up to engineer solar power on a large *scale*. Mr M. Uroshevich, its president, says the company is moving solar energy *out of its* "perpetual research and development phase and into the real world of producing cost-effective photo-voltaic power on a utility scale."

Putting across the machining message

RENISHAW CONTROLS, a new UK company formed to exploit computer integrated manufacturing (CIM), has launched its first product based on MAP (manufacturing automation protocal). MAP is a world initiative, led *by General Motors*, to induce makers of automation equipment to use the same communications rules, thus allowing any machine to "speak" to any other.

The new company was formed last year by the Renishaw Group, which made its name in precision measuring probes.

Its first product, RC4, is a programmed hardware *unit* that allows any machine using it to "speak" a specific part of MAP called MMS, or manufacturing message service. MMS deals with the shop-floor instructions given to production machines and is part of the so-called "application layer" of the International Standards Organisation model on which MAP is based.

The RC4 acts as a translator between MMS and a wide range of existing production units. These might be machine tools, robots or measuring machines, all normally using different communications software protocols. With each machine connected to a local area network via its own RC4, the overall production control software then no longer needs to be specific to each machine.

The local network is in turn connected to the *MAP* backbone cable which communicates with other functions in *the factory*.

Way to a cleaner drink of water

THE HEALTH hazard of nitrates in drinking water can be neutralised with a unit from Bruner of Royston in the UK.

Able to fit easily into a standard kitchen cupboard, the device uses an exchange resin system which reduces nitrate concentration to less than the European Commission guide level of 25 parts per million. The removed nitrate is replaced with an equivalent amount of harmless minerals such as chlorides and bicarbonates.

Buses conducted by computer

SCOTTISH COMPANY Grampian Computers is offering a system which enables bus companies to analyse their route operating data thoroughly, so as to offer *better*, more efficiently run services.

Running on a Hewlett Packard computer, the system is fed from a solid-state data collection module of the kind already installed on many buses (the Wayfarer unit for example). These record the fare and stage boarded for each passenger getting on the bus. The resulting revenue and mileage data can be used to predict the viability of new routes and the effect of changes on existing ones.

CONTACTS: Renishaw Controls: UK, 0453 844753. Alpha Solarco: US, (513) 621 1243. Factron Schlumberger: UK, 0202 893535. Bruner: UK, 0763 62197. Grampian Computers: UK, 0224 682903.

مكتبة من الأصل


ATA Univas
Wherever it is, we'll find it.
OIL. Wherever it is, we'll find it. Oil is the primary source of energy. It is the power that moves the world and will be so for many years to come.
But, it is necessary to be prepared to wrestle this treasure from the earth's most secret strongholds, using the latest continuously evolving technology, and to venture into hostile, inaccessible places.
Agip, Italy's national oil company, took up this challenge sixty years ago, probing into the origins of the earth, experimenting with new techniques, and devoting to these activities human and economic resources that are always up to the difficulties to be overcome.
Wherever the possibilities of finding oil exist, Agip is present with its spirit of initiative and decades of experience. The results achieved, alone or in cooperation with leading oil companies, in 30 countries, on 5 continents, make Agip a reliable operator in any oil activity.
Even where no-one has ever reached.
Agip
Eni Group.
Deep thinking. Top results.

THE PROPERTY MARKET By PAUL CHEESERIGHT

SE referee waits for the players

IT HAS HAPPENED. The Stock Exchange has finished drawing up the rules for the new property market based on single buildings. It is now in the position of a referee in the middle of a playing field wondering when the players will arrive and what sort of game they will want to start.

There are two sets of players—the finance institutions, property companies and chartered surveyors which make up the 60-strong membership of the Pincs (property income certificates) Association and the 50-strong membership of Barkshire Committee, with some overlap between the two.

They are sponsors of the different investment vehicles which, theoretically from next Monday, could be brought to the market. The Pincs Association is behind the property income certificate and Barkshire is behind single property trusts and single asset property companies.

The Stock Exchange has accommodated them both in one set of rules for a new market. These rules have had to take into account a different set of needs from those which cover normal equity trading.

The regulators had to drop their traditional notion that securities based on a single asset are too risky to be traded.

They had to accept that, with a single building, it was not much use looking for a five-year trading record as a prerequisite for listing.

As another example, the Stock Exchange dropped the normal rule which requires that, with new securities worth more than £15m, there has to be an offer for sale. In the new market there can be placings up to any limit, provided the basic units are not less than £25,000.

The rules were worked out in conjunction with Barkshire and the Pincs Association. It is up to them now to find the buildings which can be offered to the market. It would probably take the Stock Exchange Quotations Committee up to six weeks to process any offerings.

Nobody expects the market to start with a rush. Indeed, Barkshire is still in talks with the Trade and Industry Department and the Inland Revenue on the regulations supporting the Financial Services Act. The trust investment vehicle cannot be used until they are in place.

A rough timetable for the development of the market could be:

July: the first single asset property company securities start trading when Goldman Sachs and Baring Brothers offer preferred shares in Billingsgate City Securities to investors. They are currently quoted in Luxembourg. Billingsgate City is a one-asset company, based on a London office building.

October/November: the Pincs Association brings perhaps three buildings to the market.

December: the Trade and Industry Department settles the regulations supporting the Financial Services Act, opening the way to the introduction of single property trusts.

1988: such trusts are introduced to the market.

All of that is the easy part. It is more difficult to estimate what will happen to the market. Prospective market-makers still have to show their hand, but in the early stages are expected to be the same houses already active in the equity markets. Chartered surveyors may join in later.

At the financial level, the key factor is probably to look at what happens to the interest rates on gilt-edged stock. The lower they are, the more interesting single pr/erty securities are going to look.

More fundamental than that though is the fact that the new market is supply-led, not demand-driven. It has been the property industry itself that has been pressing for a new market, because it has been worried about lack of liquidity.

There are few buyers for the large projects. Institutional interest has waned over the last three years with fund managers much more concerned with short-term performance than long-term holdings. So, if the market could be broken up to trade in morsels of buildings rather than complete properties, then outgoings need not be so large, costs would be more manageable and smaller institutions, and, indeed, private investors, could be players in the market.

Whether this will happen remains to be seen. There is evidence, in the growing membership of the Pincs Association and Barkshire Committee of readiness to take the possibilities seriously.

A final point. Although the new market prings from domestic needs, it is a further step towards enhancing the international status of London as a trading centre. The Stock Exchange, by throwing away its early inhibitions, is opening up London to the sort of trading that takes place elsewhere, most notably in the US. There is no reason now why New York skyscrapers cannot be quoted on the London market.

THE NEW market has spawned entries for the dictionary of market acronyms:

Sapco: a single asset property company. It owns a building or group of buildings. It can issue both equity and debt issues.

Spot: a single property ownership trust. It owns and manages a property. Unitholders share the rental income and the profits growth. With Capco it is sponsored by Barkshire Committee.

Pinc: a property income certificate. Holders are entitled to a share of building's rental income and have a stake in the management company set up for that building, but they do not have direct title to ownership. It can be financed by equity and debt securities. It is sponsored by the Pincs Association.

Problems of taking a building to market

SINGLE property investment schemes rate new paragraphs in the Stock Exchange's Yellow Book on listing requirements. The rules for trading set out the type of properties which can be traded and what those bringing them to the market must disclose.

For a start, the building has to be let, so that its income covers annual outgoings. It must be freehold or have a lease of at least 110 years. And it must have a value of no less than £10m.

The exchange is not worried if a scheme is financed partly by equity and partly by debt. The Quotations Committee will look at all cases individually. But, the rules state, "applications for the listing of equity securities may be refused if the ratio of debt to equity is considered by the Committee to be unacceptably high."

Under the rules, investors in a single property scheme are entitled to all the rental payments after deductions for operating charges, debt servicing, tax and insurance and "reserves to finance prudent estate management requirements."

Schemes cannot be wound up without the shareholders' or unitholders' consent and if there is a new listing of equity capital they have pre-emptive rights.

Any company puttin ga property on the market will not only have to provide basic information like a history of the building and lease arrangements, but specify the details of the tenancies. Where one tenant provides more than half the rental income there has to be financial information about that tenant.

There has to be a valuation of the property, a report on its condition, a list of what repairs might be necessary in the future and a solicitor's report on the legal title of the property. A limit has to be specified on the amount of short-term borrowings permitted without the approval of the investors.

That is the start. Once the building has been launched on to the market, annual reports will have to be produced. There has to be a building survey every three years. The managers have to keep a building log book.

If there is an issue of securities, after the initial approach to the market, then there will have to be another independent valuation, so that new investors can see how the market value, as measured by Stock Exchange trading, matches up to an outside assessment.

Minimum voting levels must be set to provide for investor control over capital expenditure, changes of manager, raising new funds or selling any material part of the property.

هكذا من الأصل

Friday May 22 1987

FINANCIAL TIMES SURVEY

Jordan

King Hussein is striving hard for a settlement of the Palestinian problem that will satisfy the Arab world and ensure the future of his own realm. He also needs peace with Israel, as well as an end to the Gulf war, to revive economic growth, **Richard Johns** reports.

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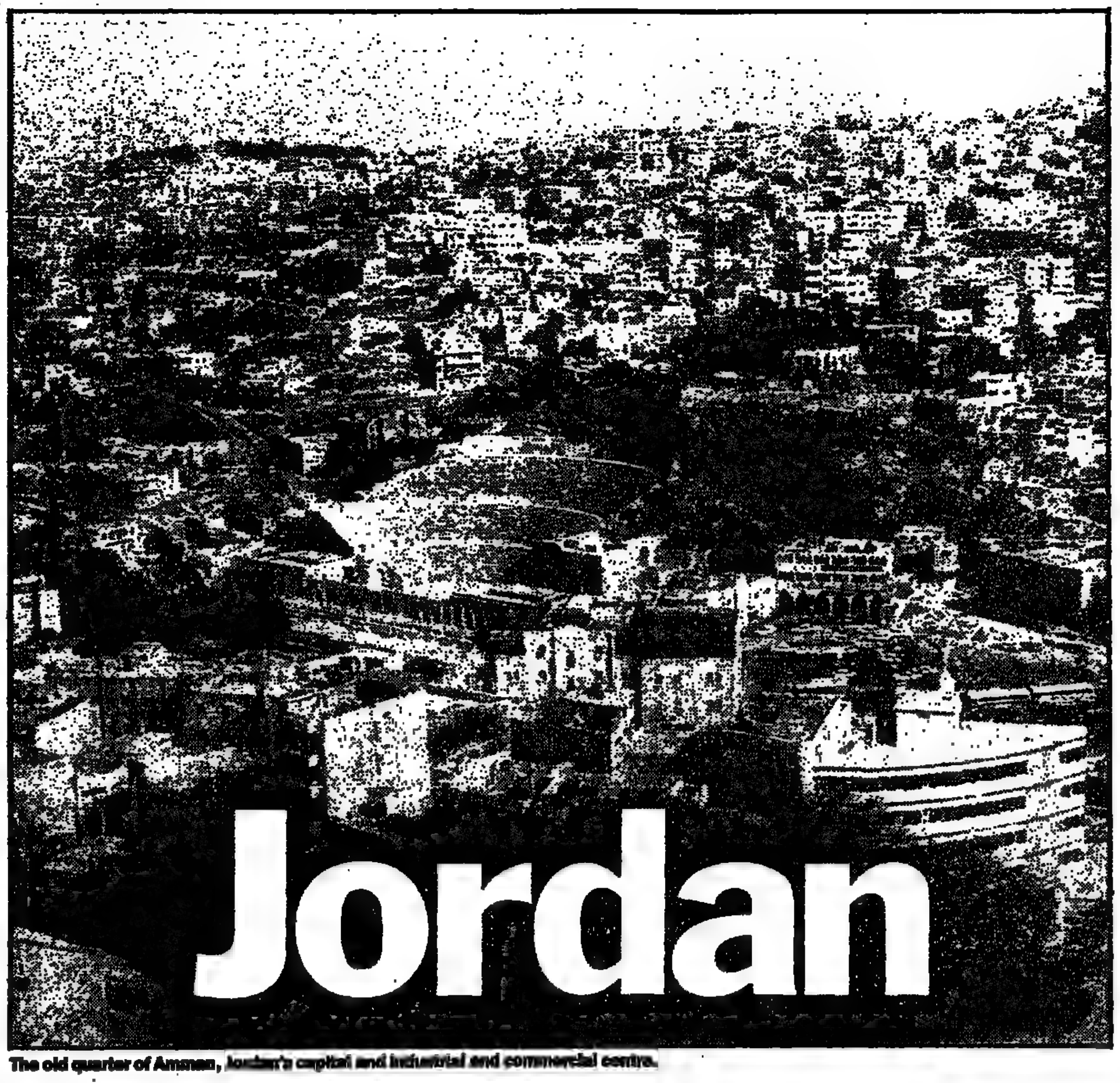


The old quarter of Amman, Jordan's capital and industrial and commercial centre.

Predicament of a brave monarch

NEXT month will mark the 20th anniversary of the June War in which King Hussein lost half his realm and the greater part of Jordan's economy in a war not of his own making but with nearly disastrous consequences for his throne. It is still debatable whether the imperatives of Arab solidarity and his own survival made it absolutely necessary for him to engage in the conflict in support of Egypt.

Two decades later the question may also seem an academic one. But it is still very relevant to the Hashemite Monarch's present predicament and perplexity as he strives to bring about the convening of an international peace conference on the Middle East under the aegis of the UN Security Council.

Jordan's intensive diplomatic activity over the past year and secret contacts with Israel mark a resumption of efforts, which went into limbo for a while after the rupture with the Palestine Liberation Organisation in February 1985, and failure to grasp what as long ago as 1984 King Hussein described as "the last chance" for peace. King Hussein knows that any conceivable deal would be far from adequate from the point of view of the Palestinian inhabitants of the occupied territories and the wider Arab world. The challenge for him is to salvage what is possible in the face of creeping de facto annexation and remorseless Israeli pressure on the indigenous population of the West Bank to emigrate.

Neverless, King Hussein feels that he has no choice but to pursue a settlement even though he is still bound by the 1974 Arab summit resolution recognising the PLO as "the sole legitimate representative" of the Palestinian people. Deep-seated dynastic feeling is one fundamental reason for this. As a direct descendant of the Prophet, a lineage from which his legitimacy largely derives, he felt humiliation at the loss of Jerusalem, site of Islam's third holiest shrine, a shame made worse by the fact that the Hashemites were ousted from Mecca and Medina by the Saudis in the 1920s.

The biggest practical consideration is the fact that anything from a half to two-thirds of the East Bank's population is of Palestinian origin. This majority does not constitute a homogeneous group and considerable assimilation has taken place. However, there is a constant, unarticulated apprehension that, with the passing of time and under continued Israeli pressure, the Palestinians might once again come to see—as they did in 1970—the East Bank as a substitute homeland and state under their leadership and not the Hashemites, an outcome the Likud and Mr Ariel Sharon, the leading Israeli hawk, in particular would be only too happy to work towards.

The February 1985 accord between King Hussein and Mr Yassir Arafat, Chairman of the PLO, on a joint Jordanian-Palestinian delegation, to negotiate a settlement aimed at the establishment of a confederated state, removed the constraints on the monarch imposed by the pan-Arab decision in 1974. A year later King Hussein suspended the agreement in exasperation because Mr Arafat did not fulfil his pledge to accept publicly UN Security Council resolutions 242 and 338.

The PLO's formal abrogation of the accord last month and the price of the reunification of the movement—especially the reaffirmation of the commitment to armed struggle and the reiteration of the demand for an independent Palestinian state—must, by any rational analysis, be seen as a blow to the "peace process". It may be that the chances of Israel, even with Likud in eclipse, ever having any dealings with even a reformed PLO, accepting its existence and renouncing terrorism, are non-existent. The fact remains that the majority of the inhabitants of the West Bank and Gaza Strip support Mr Arafat, even if he is politically and militarily incapable of alleviating their plight.

The terms of whatever understanding on an international peace conference have been reached by King Hussein and Mr Shimon Peres, the Israeli Foreign Minister and Labour Party leader, are likely to remain obscure for the time being, the subject of denial in Amman and perhaps disinformation in Jerusalem. They may prove irrelevant given the stance of the Likud, Labour's right-wing partner in the Israeli Coalition Government.

For his part, the monarch has resisted Israeli appeals and US pressure to negotiate directly, a course of action which would probably be tantamount to political suicide. The Jordanian leader clearly regards an international conference as a framework for negotiations rather than an "umbrella." Amman is formally insistent that the PLO should be invited but, presumably, with the proviso that it accepts UN resolutions 242 and 338—which in practice would preclude the PLO's attendance.

Maximum pan-Arab blessing or at least a large measure of acquiescence would be required for Jordan to start peace talks and the King could probably not contemplate them without Syrian participation. That would involve an Arab summit, which would be the first since the last emasculated one at Casablanca in 1984.

Jordanian diplomacy has succeeded to the extent that its only avowed enemy in the quarrelsome community of Arab states is Libya. Of particular significance was the rapprochement with Syria, achieved in the summer of 1985 after five years of bitter antagonism which has enabled King Hussein to attempt to mediate—what would be a miracle in regional politics—a reconcilation between Iraq, which he has steadfastly supported in the Gulf conflict, and Syria, Iran's main Arab ally.

Fortifying Iraq's position in the war was the King's prime consideration when he tried to bring the two Baathist regimes together a year ago. Now he would see a reconciliation as a prerequisite, as well, for a successful meeting of Arab leaders which could clear the way for an international peace conference.

Hamstrung on the peace issue by the internecine divisions in the Arab world and fearful of an Iraqi collapse on his eastern front with all such a development might mean for the spread of Islamic fundamentalism, the West's most consistent Arab ally has been devastated and disillusioned by the revelation of US arms sales to Iran.

Moreover, the US administration has, over the past two years, failed to overcome congressional opposition to sales of modern aircraft, missiles and other equipment, badly needed to maintain the credibility of Jordan's military defences. It has also cut back financial assistance. And its support for an international conference has been very much less than wholehearted, especially on the question of a Soviet role which is essential if Syria is to be involved meaningfully.

The regional and international imbroglio in which Jordan finds itself are related to the country's internal stability which, in the last analysis, must be King Hussein's prime concern. His well-trained, well-treated, military and security forces—accounting for a fifth of Jordan's manpower and 25-30 per cent of the current budget—are sufficient guarantee of law and order.

As it is, despite the regional tensions, a reassuring tranquility currently prevails in what must be regarded as the best governed state in the Arab world.

The regime is a benign autocracy with a good human rights record despite very grave past or potential threats against it.

A ban on political parties from which only the Moslem Brotherhood was exempted remains technically in force but in practice activity of some opposition groups including an ineffectual Communist Party is tolerated.

Yet for such a sophisticated stable country the system of consultation could be improved. The present elderly Parliament is a moribund institution though not totally useless as a forum where grievances are aired and criticisms made. It consists of a Lower House of 60 members, split equally between East Bank and West Bank representatives, and a Senate of 30 appointed members. The Upper House elected in 1967 and suspended in 1974 because of an Arab summit decision, was reconvened in 1984 after the king's rapprochement with the PLO with deceased members' seats filled after lively by-elections in which the Moslem Brotherhood did well.

A new electoral law passed in 1986 provides for 142 with the same equal division with West Bank candidates having to have originated from across the River Jordan. Registration of voters took place this month. But it is still by no means clear whether elections under the law will be held when the fourth national five-year term of the present house expires in the autumn. That could depend on progress towards the international conference.

While that could prove a chimera, the economic challenge facing Jordan is a daunting one. If Jordan is to get even close to its growth objective it will mean a fairly painful switch from consumption to savings. At the same time its chances of success would be immeasurably enhanced by greater stability in the region, not the least a settlement of the Arab-Israeli conflict and an end to the Gulf war.

Economic planning

New 5-year plan must mobilise savings

FINALLY, and somewhat belatedly, late last summer Jordan's five-year plan for the 1986-90 period was authorised. One reason for the delay, apart from uncertainties about oil prices, was a long exercise in consultation aimed at ensuring that all sectoral interests—economic, social and regional were taken into account. The process involved a 500-member general assembly with 24 committees under its aegis. The approach was politically laudable but not perhaps the best basis for a tightly co-ordinated plan focused on key objectives.

It aims to raise Gross Domestic Product from 1.36bn Jordanian dinars ($4.05bn) to JD 1.74bn and per capita income from JD 695 ($2,071) to JD 739. The average annual growth rate projected is 5.1 per cent.

More comprehensive than any of its predecessors and drawn up under the very active patronage of Crown Prince Hassan, it is also regarded by all development agencies, not the least the Arab funds, as ambitious. That compares with an achievement during the 1980-85 period of 4.2 per cent when nearly all the aggregate was achieved in the first two periods before the deterioration in the regional economic environment and the tightening of the constraints on Jordan resulting from the recession in the Gulf.

Even on the most optimistic assumptions about workers' remittances and Arab aid—the commitments made to the Baghdad summit expire in 1988—sustaining a growth in the range of 4-5 per cent annually would require a substantial external borrowing requirement in the view of the World Bank.

It calculated towards the end of last year that Jordan's debt service ratio could rise to 23 per cent by 1993.

The plan is very much an indicative one in its expectation of the contribution from the private sector. Including important mixed entities like the Jordan Phosphate Mining Company, it is projected to contribute JD 1.48bn, or nearly half the total of JD 3.11bn investment planned. Moreover, the Government is looking to the private sector to provide JD 550.1m, or 80 per cent of the JD 687m target set for the all-important commodity producing sector where the biggest growth is sought.

The pattern of investment in the past is not encouraging. During the boom days the Jordanian private sector concentrated primarily on construction, trade and transportation, just as Gulf money went into real estate and financial services. For some years the country has had a negative domestic savings rate. In the 1982-86 period, gross fixed capital formulation declined by an average of 7.5 per cent annually while consumption expenditure rose by 3.6 per cent. At the same time the service sectors grew, with public administration and the armed forces leading the way—the latter accounting for 25-30 per cent of current spending—at the expense of the productive sectors (including construction, electricity and water) which last year accounted for only 36.7 per cent of GDP.

Yet Jordan has little choice but to set a growth target in the region of 5 per cent growth. It has a high birth rate of 3.7 per cent and a large increase in the supply of labour immediately in prospect. Half of the population of 2.7m is under the age of 15 and about 1m are still receiving education. Jobs must be found for 200,000 from 1986 to 1990 at a time when unemployment is put, perhaps conservatively, at 40,000 during a period when it is estimated, perhaps optimistically, that only 25,000 workers will return from abroad.

Planned investments are aimed at creating nearly 100,000 new job opportunities. Repatriation of 50,000 of the 120,000-150,000 foreign workers in the Kingdom (mainly Egyptians doing menial tasks unpalatable to Jordanians) and their replacement by Jordanians is anticipated. Then, after making allowance for natural wasteage and emigration there would still be—on the best assumptions—a net increase in unemployment.

Moreover, the university and high school system—geared in the past to preparing a surplus of trained brains for export—is still producing too many qualified people for Jordan's needs. Already unemployment among professionals is said to be about twice the national average.

The present Jordanian Government and, indeed, its predecessor have been well aware of the need to adjust the educational system to the requirements of the country's economy and development in the post-boom era. In this respect the plan reads less—than—convincingly, however. And for practical purposes a fundamental re-orientation, bringing supply and demand into better balance could only make itself felt for the good of the economy in the next decade.

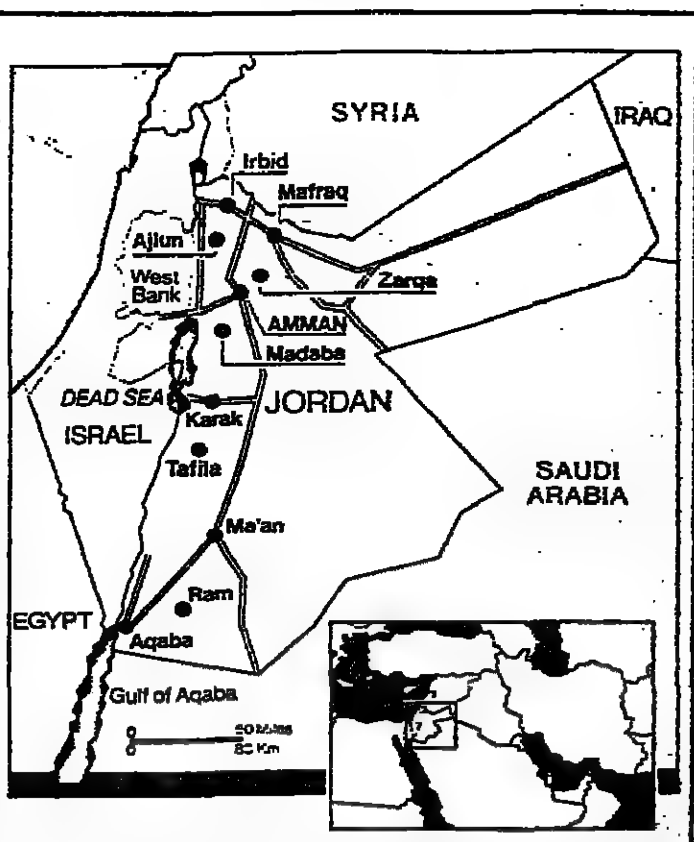
Mr Taher Kanaan, the Minister of Planning, is confident that market forces will persuade people to take humbler, less well-paid jobs than they would like. "Unemployment will have its own dynamics," he says citing the case of a graduate of his acquaintance working as a janitor.

Essential to the overall objectives of the plan is the commodity-producing sector, meanwhile. This has been dominated by natural resource base industries—phosphates, potash, fertilisers and cement—which have received the lion's share of public investment in the past and account for 60 per cent of manufacturing and mining output.

The Shediyah phosphates deposits are being developed with the aim of bringing the mine into operation in 1988-89 and potash production is being increased. Yet, though they will continue to be of vital significance for the economy, the scope for expansion of existing natural reource based industries seems limited. Jordan has other minerals, notably copper and magnesium, but there seems no prospect of them being exploited in the foreseeable future.

One of the most pressing needs is to discover and exploit the oil resources which the country probably has in commercial quantities. The cost of oil imports in 1980-85 period exceeded the value of all Jordan's imports. Output at present is limited to the 1,000 barrels or so a day, produced from the three wells of the tiny Hamzeh field.

Hopes of discovering oil in substantial quantities have risen with the interest shown by the three companies—Amoco, Hunt Oil and, recently, Petrofina—which have signed production-sharing concession agreements. Mr Hisham al Khatib, Minister of Energy and Natural Resources, explains that in the past there were "misconcepts about the country's geology" and too little was done to promote its potential.



One of the main thrusts of the plan, meanwhile, is towards developing small and medium export-orientated or import-substituting industries. The private sector has been offered a comprehensive array of incentives. But aid officials say that high costs, low productivity, and depressed markets of the region, bureaucratic procedures and a high exchange rate, constitute a formidable barrier to investment.

"We did not expect the private sector to react too quickly," says Mr Raja al Muasher, Minister of Trade and Industry. There has been an understandable caution, he points out, because some entrepreneurs, who invested during the boom years saw their plants come on stream just as the regional recession set in and demand at home began to stagnate. Industrial companies have accounted for the majority of shares traded on the Amman financial market in this year's trading flurry. "Most of them have been able to distribute reasonble profits," he says. A survey is being undertaken to identify the best opportunities. Yet with industrial production in 1986 up only 1.4 per cent progress is lagging well behind the plan's aspirations.

Jordan desparately needs to achieve greater self-sufficency in food with its exports of winter fruit and vegetables worth JD 41.9m from the Jordan Valley last year only covering one quarter of JD 165.5m import bill.

In the 1980-85 period the sector its scope constrained by limited water and cultivable land, nearly reached its growth target and the private sector actually exceeded the investment expected of it, while the government's fell short by over a half. Incentive prices and subsidies had much to do with that—the price paid farmers for wheat is the equivalent of $380 a tonne, four times the world market price. As it is, the main emphasis will be on developing cultivation of the rain-fed highlands and, in particular, the Zarqa River catchment area. Work is proceeding on no less than nine dam projects at a projected cost of JD 63.9m in line with the goal.

The big question mark hanging over the plan is the extent to which the Government can mobilise domestic savings. The alternatives, monetary expansion or excessive borrowing abroad, could ultimately subvert future growth. The plan is also criticised by development economists as being insufficiently policy-orientated, a result perhaps of the consensus process involved in its formulation which produced a document designed to satisfy everyone. And implementation, it is feared by sympathetic observers, could be distorted by powerful vested interests, the big established businessmen and leading families, when it comes to granting permits, authorisations and incentives, especially in the industrial sector.

Richard Johns

Occupied territories

Easing West Bank plight

JORDAN'S development plan for the occupied territories has been interpreted by many observers, too cynically, as being primarily aimed at competing with the influence of the Palestine Liberation Organisation on the West Bank and in the Gaza Strip following King Hussein's rupture of relations last year with Mr Yassir Arafat, the PLO chairman.

The PLO's hostility to the programme, and the measure of Israeli acquiescence in its implementation, might seem to indicate that undermining allegiance is the main consideration behind the plan.

It is made up of a multiplicity of projects and based on the aspiration of an expenditure of just over $900m—a figure scaled down from the even more visionary $1.3m originally conceived.

The plan is also very much about humanitarian concern for a population whose living standards have lagged drastically behind those enjoyed on the East Bank. Even more relevant are hard-headed considerations about the increasing pressures on the young to emigrate from the West Bank and the Gaza Strip at a time when unemployment in Jordan is threatening to become a serious problem. Amman has been paying the salaries to public employees in its pay on the West Bank prior to the June War of 1967 ever since the occupation. Through deaths the number has declined to 6,000 but the bill still costs the Government 12m JD ($34.6m) a year.

Mr Marwan Doudin, Minister of the Occupied Territories Affairs, describes it as "a plan of thinking," a phrase implicitly acknowledging not only that funds available may be very limited but also that actual expenditure on projects designed to alleviate the plight of Arabs in the occupied territories might be confronted by all kinds of administrative impediments.

In addition, it supplements the salaries of nearly 10,000 teachers appointed by the Israelis to the extent of about JD 4M annually. "We hate to have to do it but must because the occupying authority is not fair in paying these people much less than they pay their own teachers and Israeli Arab teachers," says Mr Doudin.

From September 1967 to the end of 1984 the Jordanian authorities calculate that net immigration from the occupied territories was 274,800—155,900 from the West Bank, 22,300 from East Jerusalem and 96,600 from the Gaza Strip. The annual outflow average 5,000 between 1969 and 1974, quadrupled to about 20,000 between 1978 and 1981 and dropped by 10,000 from 1982 to 1984.

The number of Palestinians working on the West Bank (excluding east Jerusalem) and in the Gaza Strip — about 150,000 — is reckoned to have marginally declined in this period. But from 1970 to 1984 those working in Israel increased from 20,600 to 90,300, according to the Jordanian statistics.

In the meantime, discrepancies in living standards between the West and the East Banks have widened. Per capita income was equivalent to 70 per cent of that in the West Bank in 1978 but had declined to 61 per cent in 1984. The figures for investment show the same trend towards a growing imbalance.

Per capita capital formulation on the West Bank was put at 57 per cent of that of the East Bank but had fallen to 46 per cent by 1984.

Creation of employment opportunities is the most urgent priority with 60,000 new entrants into the labour force expected in the 1986-90 period. A related objective is to stimulate the growth of local contractors whose activity has been curtailed by the Israeli occupation and also gives a spur to Palestinian entrepreneurs in the occupied territories.

The sector singled out for the biggest single investment, at JD 164m, is housing, which is regarded as critical for "keeping Arab inhabitants tied to their homeland." It is estimated that at least 2,400 residential units are required. In terms of projected expenditure, education is the second priority with a total of JD 78.5m, including JD 25m for the universities and JD 24.9m for the teachers' support fund.

Agriculture, with an allocation of JD 62m, is seen as of crucial importance as the sector "most adversely affected by the Israeli occupation," leading to the greatest pressure on people to leave as the Israeli takeover of land and water resources has severed their links with the land. To revive industry, whose share of the territories' GDP is said to have fallen by half to 7 per cent, the expenditure envisaged would go mainly to estates and a credit fund offering medium-term finance.

"Implementing a development programme in part of a country under occupation is not an easy task at all," Mr Doudin comments. The initial approach is tentative and cautious. "We want to prove how much we can spend on the West Bank in reasonably studied and explored areas," the minister says. "It is on the basis of our success in this initial phase that we will be applying for extra money."

For a start the Jordanian Government has allocated $30m for 1986 and 1987, which is now being disbursed for the first projects. The money is distributed to nine committees responsible for implementation — based on the main municipalities covering Jerusalem, Jenin, Nablus, Tulkarem/Kalkilya, Ramallah, Jericho, Bethlehem, Hebron and Gaza.

The main channel releasing the money will be the branch of the Cairo-Amman Bank opened in Nablus last year. The hope is that authorisation for the opening of more branches will be given. So far at least the Israeli authorities do not appear to be thwarting the early, hesitant implementation of the plan. Mr Taher Kanaan, Minister of Planning, even goes so far as to say that they like what has been taking place and welcome projects which relieve them of responsibility. Exploitation of water resources, meanwhile, remains an exclusive Israeli preserve.

Availability of finance seems very problematical. Existing US commitments amount to $11.5m and Jordan is taking about $30m in aid from Washington for the next American fiscal year but can hardly expect to receive the $150m for the full five-year period originally requested. Small contributions have been made by West Germany, the UK and France. Recently the old joint Jordanian-Palestinian committee responsible for aid to the territories, received $9m from Saudi Arabia, the last instalment of money pledged for the 1978-85 period by it and other Arab oil states at the Baghdad summit following the Egyptian-Israeli peace treaty.

Payments were to have run at $100m annually but the total paid over the period was no more than about $450m, according to Mr Kanaan. It is sad, as Jordan sets about a reasonably coherent plan to stem the flow of emigrants, that bounty from the Gulf is not available in its old abundance.

Richard Johns

Balance of payments							
(JD)	1981	1982	1983	1984*	1985*	Jan-Sept* 1986	Jan-Sept* 1987
Trade balance:							
Exports	242.62	264.53	210.59	290.66	310.89	228.83	179.61
Imports	1,046.36	1,141.12	1,101.96	1,257.95	1,072.51	794.08	632.20
Net balance	−803.74	−876.59	−891.37	−967.29	−761.62	−565.25	−452.59
Services (net)	359.25	385.03	455.12	395.64	346.71	284.71	252.55
of which: Remittances	340.89	381.87	402.90	475.00	402.92	307.94	330.84
Unrequited transfers (net)	430.80	373.29	294.93	278.76	315.01	233.05	170.38
of which: Government grants	415.33	363.72	289.56	261.70	291.18	215.73	155.39
Balance on current account	−13.69	−118.27	−141.32	−104.13	−99.90	−47.49	−29.66
Capital account	69.04	113.40	156.76	64.37	137.64	71.62	81.03
Government (net)	13.21	92.57	145.88	35.47	127.99	71.18	57.56
Receipts	(318.21)	(316.19)	(315.64)	(287.40)	(352.12)	(269.02)	(206.74)
Payments	(295.11)	(223.62)	(169.76)	(251.93)	(224.13)	(197.84)	(149.18)
Private investment (net)	46.82	20.83	10.88	28.90	9.65	0.44	23.47
New errors and omissions	−41.31	−57.49	+34.86	−29.54	−19.25	−30.58	−67.66
Overall balance	56.56	−4.87	15.44	−39.76	37.74	24.13	51.37
Foreign exchange reserves†	353.87	291.29	296.61	202.31	146.62	154.85	125.72

* Preliminary. † End of periods.

Source: Central Bank of Jordan statistics.

The economy

Riding out the regional recession

DURING THE first four months of this year the volume of transactions on the Amman Financial Market, Jordan's well-organised and healthy stock exchange, exceeded the total for the whole of 1986. Peak activity of 1983 looked as if it will be surpassed. The flurry, including not a little speculation, was triggered off by a cut in interest rates in November and a realisation that some shares were much undervalued.

But it did also reflect a measure of optimism about economic prospects which was also encouraged by a deliberately reflationary budget for 1987.

The general mood is one of cautious confidence about Jordan's ability to continue to withstand the recession in the region, particularly the Arab oil producing states of the Gulf on which Jordan's own economic well-being so vitally depends. The measure of optimism, in the absence of any promise of a recovery of oil prices to the level reached in 1980, stems from the country's success in limiting the damage to the point that it has managed to maintain a marginal rate of growth over the past four years, albeit one lower than a high population increase of about 3.7 per cent might otherwise have generated.

Growth of 2.6 per cent was claimed last year, according to provisional official statistics. Some economists doubt that it was as high as well as the zero inflation shown by the government indices. Any rise in prices was negligible, though. Jordan's perennial trade deficit was cut, as imports fell for the first time for several years. Private consumption is undoubtedly being redced but the belt-tightening has not proved painful yet.

"Compared with everyone else around us, we have done well," says Dr Michel Marto, general-manager of the Bank of Jordan and a respected economist. With scope for manoeuvre so limited and its vulnerability to external factors so great, Jordan can probably boast the best-managed economy in the Arab world. Western diplomats and aid officials give a great deal of credit, especially to the present administration under Mr Zaid Rifai, for maintaining stability over the past two years.

A country with only limited natural resources and only one of special significance—phosphates of which it is the world's third largest producer—Jordan has perennially been dependent on invisible earnings and capital transfers to balance its payments, while aid has always been an essential component of the budget.

In the halcyon decade from 1973-83 the remittances of its expatriate manpower in the Gulf, the demand for its exports stimulated by regional prosperity and from 1978 the $1.25bn, then the equivalent of 370m Jordanian dinars, were not only enough to ensure deficits on both counts but also to fuel an annual growth in real terms by over 10 per cent from 1978 to 1982.

Two years ago, there was growing apprehension about the future of both these vital support systems. Committed Arab aid had fallen by near half. Recorded remittances going through the banking system were holding up well but there were fears of a drastic fall as a result of expatriate manpower being laid off in the Gulf states and having to return home, swelling unemployment—currently at least 8 per cent—in the process.

Last year publicised Arab aid fell to JD 142m, 27 per cent down on the previous year with only Saudi Arabia fully honouring its obligation. The slack was taken up by increased development aid and soft-term loans. It is believed that there may have been, in addition, unpublicised payments by the oil producers to finance purchases of defence equipment.

Encouragingly, remittances were actually up at JD 415m compared with JD 403m in 1985. But part of the reason for the increase, however, was the fact that a much greater proportion went through official channels following the collapse of Rizk and another leading money changer a year ago.

Dr Maher Shukri, Deputy Governor of the Central Bank, estimates that, prior to the Rizk affair, as much of this money passed outside the banking system as through it. But some observers believe that it could have been two or three times as much. At the same time there is speculation that a significant part of the 1986 total could have been the repatriation of savings. But the fact that the number of workers returning—there are still 350,000 abroad—has been a trickle rather than a deluge, has generally allayed fears on that score.

Preliminary figures for the first nine months of 1986 indicate that the current account deficit for 1986 will be the lowest for many years with the deficit of JD 27m, 37 per cent less than in the same period of 1985. Especially heartening was the narrowing of the trade gap. Imports fell by 20 per cent from JD 1.07bn to JD 950m. Two crucial factors were the fall in oil prices and a weaker dollar. The others were tighter controls to protect local industry and lower consumption. Exports, though, were also lower at JD 256m compared with JD 310m in 1985.

Jordan has succeeded in boosting volume sales of phosphates—accounting for nearly a third of exports by value last year—and potash but earnings have been hit by depressed prices. Its export potential more than ever is restricted by the acute difficulties of its closest markets not the least Iraq's financial plight. That has involved giving Iraq a credit line of over $500m repayable in oil but only after a time lag of a year. Increasingly Jordan is resorting to bilateral arrangements with trading partners including Comecon countries whose share of its trade is increasing.

Disturbingly, however, foreign exchange held by the Central Bank had fallen at the end of February to only JD 86.5m compared with a peak of JD 353.9m in 1971 and the equivalent of less than a month and half's import cover. (Gold holdings remained at JD 70m, more or less where they have been since 1983.)

"We hope this trend will be reversed, if not this year, then next year," says Dr Shukri. He emphasised that a prime reason for the decline had been the fact that the state had embarked on projects assuming Arab aid donors would fulfil their pledges in full. With the commercial banks' foreign assets still totalling JD 350m, foreign exchange was freely available, he points out.

The nadir in the central bank's holdings was reached only a few months after the government had taken receipt of a $150m syndicated loan facility. State spending has been the essential cause of the rundown. Jordan is still considered a good risk despite the growth of the budgetary deficit. But the state's indebtedness caused the last International Monetary Fund mission to visit Amman last summer great unease.

In the event in 1986 expenditure, originally set at JD 832m exceeded the budget by JD 222m—nearly 20 per cent of GDP if development loans are not defined as revenue.

At the end of last year, Jordan's public external indebtedness reached JD 1.11bn now involving, according to a recent statement by Mr Rifai, a debt service ration of 15.9 per cent. That is still in reasonable bounds in the opinion of commercial bankers, if not the IMF's. But it looks set to surpass soon the 15 per cent ceiling laid down in the plan and—in the not-so-distant future—the 20 per cent which the Premier described as the internationally accepted "red line."

The 1987 budget, set at just over JD1bn is aimed at expanding local production, promoting exports and creating new jobs. It may once again prove somewhat notional. As usual capital expenditure on defence equipment is not included.

The Government's predicament is a difficult one. Job creating must be a priority. But there is a danger that it might go too far in its attempt to revitalise the economy thereby undermining the stability maintained in an extremely hostile economic environment over the past four years.

There is no clear indication of a strategy—or the political will to pursue one—which would bring about the decisive shift away from consumption towards investment required if the kind of growth targeted by the 1986-90 plans is achieved on a sound, non-inflationary basis.

Richard Johns

Financial services

Government seeks stronger institutions

JORDANIAN and foreign banks turned in a steady performance last year in terms of profitability and balance sheet strength, given the four-year-old regional recession and the economy's persistent vulnerability to political events, economic trends and financial flows originating outside its borders.

The Jordanian financial sector was characterised last year by several developments, most notably:

- New Central Bank of Jordan *leadership.*
- Across-the-board realisation that the reduced good lending opportunities and the rising number of doubtful or non-performing loans engendered by the recession would have to be dealt with for several more years to come.
- The collapse of the highly respected Rizk family money changers and the slight repercussions this had on local confidence in banks.
- Much stricter reporting, loan classification and provisioning requirements dictated by the Central Bank.
- And several mergers and buy-outs which could signal the start of an anticipated period of corporate consolidation and restructuring, following the boom decade of 1974-83.

The Jordanian banking system is small, compared to other financial sectors in the region, with the entire financial system's consolidated balance sheet rising a healthy 9.6 per cent last year to JD3.992bn (JD [Jordan dinar] = £3). A tradition of decades of conservative local management and relatively strong Central Bank supervision has largely shielded Jordanian banks from the sharp swings in profitability and dividend payouts experienced by many banks in the Gulf region.

Slower economic growth since 1984 (GDP at market prices grew by 2.5 per cent last year) reflected reduced Arab aid *grants, and flat remittances and* exports, which in turn curtailed government spending and squeezed liquidity among many private sector companies.

Banks have felt the effect of this recessionary cycle in the form of more problem loans, which the Central Bank estimates at less than ten per cent of all outstanding commercial bank credits of JD1.395bn. Despite the recession, bank lending increased by 9.4 per cent last year, and deposits rose by 11.4 per cent to JD1.946bn.

"Our priority now is to focus on the banks making adequate provisions for specific loans," a Central Bank official said in an interview, adding that specific loan loss provisions are being made above and beyond general provisioning levels that have been in force for years. The banks, many of whom made higher provisions on their own than the government required, have been working closely with the Central Bank for the past 18 months to classify assets and identify problem loans, according to a uniform loan classification system.

This has coincided with the assumption of power by the new Central Bank management team of Governor Hussien Qasim and Deputy Governor Dr Maher Shukri, both of whom had considerable previous Central Bank experience.

"The Central Bank has adopted a very wise policy of *detailing all individual bank* assets by category and setting specific provisions," said Dr Michael Marto, General Manager of the Bank of Jordan, one of the most prudent and profitable domestic banks which last year bought out the Jordan operation of Chase.

Higher provisions have slightly cut into some banks 1986 net profits, though on the whole the Jordanian banking system has maintained the same profit level as last year.

All banks and finance companies are passing through a period of consolidation, with an emphasis on identifying their best clients, broadening their range of services to include more fee-based services, and trying to reduce their cost of funds, in an environment of almost no inflation and attractive real returns on deposits which earn an average of 7-8 per cent.

Last year the Central Bank dropped the ceiling on interest paid on deposits and loans by one per cent, totally floated interest payable on deposits of over JD 200,000, and allowed banks to set their own minimum interest rates on deposits.

Only a few banks responded—as the government had anticipated—because of the low inflation and lack of good new borrowers.

Bankers would like the government to free interest rates yet further, in order to encourage an *interest rate structure* which corresponds to the variable risk inherent in loans to different quality clients.

Bankers and the Government are anticipating new lending opportunities this year as a result of the economic and export promotion measures the government has taken during the past 18 months, which should start showing results in the second half of this year.

In the short run, credit will be more difficult to obtain by companies without a proven track record, particularly as exporters, as the banks continue to favour lending to government or government-guaranteed institutions. This trend is further promoted by the tax-free status of bonds and the Central Bank's refinancing facility for syndicated loans. By the end of last year, outstanding syndicated loans were worth JD 144m and bonds JD 96m, reflecting the banking system's new-found ability to provide medium-term financing for industrial projects. The government would like to see more bank lending to corporations and productive ventures, and has talked about providing incentives for venture capital schemes.

The collapse last year of the second biggest money changers in Jordan, Saliba and Rizk Shukri Rizk, under a burden of over $50m of obligations to depositors, along with several smaller changers, was a shock to *the local finance scene, but has* not affected the banking system. It did signal the Central Bank's tougher policy of staying out of corporate problems brought on by inefficient management or even illegal activities.

The Bank of Jordan's purchase of the Chase operation, and the merger of the Arab Finance Corporation (Jordan) with the top money changers Halim Salfiti and Sons, may herald other possible mergers among commercial banks, investment companies and money changers. The government will not force mergers, according to senior monetary officials, but would like to see the emergence of stronger institutions with a more formidable capital base and greater depth of management, and to this end has asked banks to provide the Central Bank with their organisational charts for review.

Rami G. Khouri

Agriculture

State intervention pays off

SOMETHING PRETTY dramatic had to be done with Jordan's agriculture sector. After all, it is a major source of income for 20 per cent of the population and provides jobs for about 12 per cent of the labour force, apart from being the only means by which the Kingdom can attain some degree of food security and reduce its massive food import bill.

It was therefore no joke when, in the eary 1980s, the wheat harvest fell to one-twentieth and then one-fiftieth of the annual consumption of 50,000 tonnes, as a result of successive drought years; and when vegetables were left to rot in the fields, due to over supply and low prices in the domestic market, and the absence of an effective marketing arm for export.

The struggle to formulate a well-defined, long-term agricultural policy has been going on for many years, see-sawing between free enterprise and import/export control strategies as the Governments changed. The very real and urgent need for action stared planners in the face when they were assessing the 1981-86 five-year plan and drawing up the current 1986-90 programme.

It came to light that agriculture's share in the GDP had dropped almost 30 per cent to 5.6 per cent during the 1981-86 plan period and that agricultural investment (excluding dams and irrigation) during the five years reached only JD 182m, a shortfall of JD 51m below the planned investment of JD 233m.

Planners and the Government also took careful note of the figures which revealed that the private sector had fulfilled 105 per cent of its target while the public sector paid out only 43 per cent of its allocation.

The current five-year plan and the present agricultural policy are based on achieving a growth rate of 7.8 per cent in the sector and boosting the income from agriculture to JD 163m by 1990 from the current rate of JD 97m. The Government expects to attain this goal by increasing spending on agricultural projects to JD 337m of which the public sector is to provide JD 117m and the private sector JD 220m and by backing this expenditure with a series of Government measures to regulate vegetable output, increase cereal, red meat and fodder production and renewed efforts to improve marketing.

Mr Marwan Hmoud, the Minister of Agriculture is confident that his ministry can handle its new administrative and supervisory role. He believes that the increased Government commitment and direct involvement with agriculture is necessary to strengthen the rural economy, stem urban migration, lower the JD 100m annual food import bill and increase self-sufficiency. He is therefore unperturbed by complaints of "too much Government intervention and suppression of initiative and market forces" levelled by farmers and economists.

The controversial agricultural cropping pattern for irrigated vegetable cultivation, greeted by cries of alarm when introduced in early 1984, was the first major move to regulate production and put a stop to cyclic gluts of tomatoes, aubergines and cucumbers which used to cost the Ministry an average of JD 1.25m each year in grower support.

Three years on, Jordan has become self sufficient in the production of potatoes and onions which had a combined import cost of JD 3.62m the year before the cropping pattern was introduced to diversify the crops being cultivated and to reduce the area grown with tomatoes. The cropping system has also benefited consumers who can now select Jordanian broccoli, garlic, leeks, fennel, and celery from their greengrocer, all of which were imported three years ago.

Food security is a major preoccupation in Arab countries, especially in cereals, and Jordan is no exception. Annual wheat production has varied wildly from the 1980 high of 133,000 tonnes to the record low of 8,000 tonnes in the drought year of 1983-84.

In order to achieve a higher and more stable grain harvest, a two-pronged approach to cereal cultivation has been adopted.

First, there is a greater emphasis on better farming methods, the use of fertilisers and pesticides, and improved research and extension—all of which is estimated to boost production by around 5 per cent, even in the rain-fed grain growing areas. Also, the completion of a three-year seed multiplication project late in 1987 is expected to help push up the grain yield per dunum (10 dunums—1 hectare).

Second part of the strategy is to drastically increase the area of land grown with cereals—both wheat and fodder since the expansion of the livestock sector has been restricted by shortages in locally produced animal feed.

In April 1986, the Government began to lease state-owned land in the semi-arid southern regions of the Kingdom for agricultural development by private investors. A total of 200,000 dunums (20,000 hectares) in the Suwwan and Qa Disi areas have been leased so far at nominal fees of 100 fils per dunum annually. The Government has also guaranteed to purchase all output at subsidised prices for five years.

The Jordanian and Arab investors who leased the land are also exempted from income, land and agricultural taxes for a five-year period. The bulk of the leased land is to be grown with wheat and barley but the government is also encouraging integrated farming in these areas to include cattle and sheep raising.

A similar leasing policy in the Azraq region is presently under serious consideration and studies on the land utilisation potential and available water resources are underway. In addition, the Ministry plans to launch an ambitious integrated farming project in the Hamad Basin, at the point where the Saudi, Iraqi and Jordanian borders converge.

Even with the availability of new pasture areas, it is optimistic to expect that livestock farmers will be able to meet more than 50 per cent of local demand for red meat.

However, rising standards of living and steady population growth have increased demand for red meat far faster than farmers will be able to make up in the near future. Imports, particularly beef, are likely to continue to bridge the gap.

The Kingdom is, however, self sufficient in poultry, meat and the poultry industry contributes approximately 65 per cent of the overall income from animal production and husbandry. At the end of 1985, the total capital involved in this sector stood at JD 145m. The major problem in the poultry sector had long been a lack of cold storage and freezing facilities. This has meant periodic gluts and shortages of chickens and subsequent price fluctuations. The entire sector has recently been reorganised and will now be run by a Government company with private shareholdings and a capital of JD 6m, which will take over responsibility for all slaughtering, marketing and distribution of poultry.

The most significant development in Jordan's agricultural sector over the past year has been a breakthrough in the marketing effort of the official public marketing company. With its teething troubles and breakdown problems largely resolved by mid-1985, the Agricultural Marketing and Processing Company (AMPCO) introduced stricter quality control standards for export and improved its packaging—both of which had previously let the side down against fierce competition from low-cost suppliers, notably Greece and Turkey.

With an additional 114,000 dunums of land in the Jordan Valley, the Southern Ghor and Wadi Araba to be brought under irrigation within the plan period, fruit and vegetable output is projected to rise 20 per cent by 1990. AMPCO is planning to build cold storage facilities to cope with the expected increase and will soon be backed in its activities by the recently formed Jordan Marketing Organisation (JMO) which will research agricultural marketing, set prices for commodities and conduct feasibility studies on the agricultural sector and food industries.

Anne Counsell

Real Growth Rate of Sectoral Income

Sector	1981-1985 Plan Planned	1981-1985 Plan Actual	1986-1990 Plan Planned
Agriculture	7.5	7.0	7.8
Mining and Manufacturing	17.8	4.9	7.2
Water and Electricity	18.9	9.6	4.7
Construction	12.6	2.3	4.0
Total Commodity Producing Sectors	**14.9**	**4.8**	**6.4**
Trade	10.0	4.3	4.0
Transport & Communications	11.1	5.4	5.6
Government Services	3.5	2.2	4.3
Other Services	9.0	3.9	3.5
Total Services Sectors	**8.4**	**3.7**	**4.3**
GDP (at factor cost)	11.0	4.2	5.0

Source: Ministry of Planning

Phosphates

Fertiliser plant on profits trail

THE JORDAN Phosphate Mines Company (JPMC) has been a continuing source of pride in Jordan's heavy industrial sector and a consistent contributor to the national economy. Bearing full responsibility for the extraction, primary processing and marketing of the Kingdom's principal natural resource—it is the world's third largest producer after Morocco and the US—the Government-owned JPMC adopted a methodically onward and upward approach to its operations soon after its formation in 1953. Over the years, it has developed a comparatively aggressive marketing strategy—reflected both in climbing production figures strong sales and steadily rising profits.

Jordan has seen its phosphate production almost quadruple over the past 10 years—climbing from 1.68m tonnes in 1976 to 6.25m tonnes in 1986. In tandem with the rise in production, sales have also been on the up and up—inceasing from 1.65m to 5.2m tonnes over the same period. JPMC's main export outlets are in East Europe, Asia and the Far East, with India, Romania, Yugoslavia, Indonesia and Japan ranking as the top five buyers in 1986.

Export agreements are largely conducted through counter trade arrangements based on independent price negotiating. The f.o.b. (Aqaba) price for phosphates is in the range $26—42 per tonne depending on quality as determined by percentage Tri-Calcium Phosphate (TCP), as well as physical and chemical properties. The higher grade phosphates are produced from the Wadi Al Abiad and Al Hassa mines and have proved to be readily marketable. The lower grade rock, mined mostly from the Ruseifa mine near Amman, has been hard to shift on international markets, blighting an otherwise excellent company performance.

These marketing problems prompted the company to shut down the Ruseifa mine in July 1985 in a bid to avoid further losses from producing low grade phosphates. As the "temporary" closedown dragged on into 1986, the issue of poor quality rock moved to centre stage and became a catalyst for a major shake-up in the Kingdom's heavy industry sector as well as landing the Ruseifa mine a leading role in an ambitious JD400m scheme to establish an integrated chemical industries complex at the Dead Sea.

A significant development for the JPMC was its August 1986 acquisition of the Jordan Fertilisers Industry Company (JFIC) for JD60m. The JFIC, which has a capital of JD55m and owned a JD145m plant in Aqaba, had seen the price of its diammonium phosphate end product drop by nearly 50 per cent in five years and by the end of 1985 JFIC had posted accumulated losses of JD40m. JPMC Director General Wasef Azar does not however see the fertiliser plant as a millstone for the JPMC. On the contrary, he expects long-term benefits all round as a result of a recent and dramatic rethink of Jordan's extractive and chemical industries. He also believes that in the immediate future the JPMC is in a stong position to set the fertiliser plant on the right track and that later, within the new integrated approach to industry, he foresees a turnaround in the fortunes of the fertiliser complex through the domestic provision of raw materials which previously had to be imported, pushing up already too high production costs.

On the first level, Mr Azar notes with pride that the JPMC—by harnessing its marketing expertise and "existing good relations"—has already succeeded in selling the fertiliser plant's total annual production of approximately 3.6m tonnes planned for 1987.

The new management has also reduced production costs from $250 a tonne to around the $200 mark, although the end product is still only fetching $158—178 per tonne on the fluctuating world market. Mr Azar expects that moves to diversify sources for raw materials and equipment will also reduce costs, noting ruefully that Western suppliers, particularly those for spare parts, "have not been fair at all." The main remaining stumbling block is a technical problem, still unresolved with the contractor, over the plant's inability to produce concentrated phosphoric acid in sufficient quantities.

Moving onto the new integrated approach to industry, Mr Azar outlined plans for a Dead Sea brine and phosphate development project, linking the operations of the Ruseifa mine with those of the Arab Potash Company to recycle and utilise the by-products of each in a host of new and established chemical-based industries.

In the first stage, 1987-90, the plan is to build a calcination-plant to produce highly concentrated calcine rock phosphate using low grade ore from the Ruseifa mine. A detailed study on the processing and utilisation of calcine phosphate for the production of phosphoric acid has just been completed and a pilot plant is presently conducting tests on the product as well as the carbon dioxide and lime by-products of the calcination process.

A feasibility and costs study has just got underway on the utilisation of the by-products and the Soviet Union has expressed interest in becoming a party to the phosphoric acid arm of the project, whilst India is seriously considering its involvement in other sectors of the complex.

Overseeing the implementation and engineering work for the projected complex is the one-year old Jordanian Industrial Services and Engineering Consortium (JISECO), a public shareholding company presided over by Mr Omar Abdullah Daqhan, who is also chairman of the Arab Potash Company and a former director general of the Natural Resources Authority.

Mr Daqhan is optimistic that the complex will prove to be feasible using oil or gas as energy. But the findings of recent studies on oilsand (tarsand) reserves in the Dead Sea region have generated considerable excitement over harnessing this resource for low cost energy.

According to Mr Daqhan, initial exploration work has been "encouraging" with estimates of reserves put at well over the required 20m cubic metres for the next 20 years.

The oil impregnated sand contains 13 per cent oil by weight and through direct cumbustion could be used to generate electricity and/or steam for the complex with the by-products (nitrogen, carbon dioxide, sulphur and sand) being used in other sections of the industrial process.

The 30m cubic metres of water required each year for the complex would come from the Southern Ghor Stage II project which is nearing completion, according to Mr Daqhan.

A JD 1m feasibility study on stage one of the complex is currently being conducted by JISECO with financing from shareholders, including the JPMC which has a 20 per cent stake in the consortium's JD 500,000 capital. The outcome of the study will determine the number of subsidaries within a mother holding company for the complex.

Aside from JPMC's close involvement with JISECO and the industrial complex, the company is also actively pursuing its own individual expansion programme. The company has taken over the new Shidiyeh site in southern Jordan and expects to start mining and production by mid-1988.

The Shidiyeh project, with its proven reserves of some 1bn tonnes of high grade phosphate, is expected to push exports up to around 9m tonnes annually by 1990, according to Mr Azar. The project's infrastructure tenders have been awarded and JPMC will be floating tenders for the procurement of two draglines and mining equipment in the next three months under the first stage of the project and at a cost of JD 23m to JD 28m.

Feasibility studies on a rail link between the Shidiyeh site and Aqaba have also been completed and are presently under assessment by the Cabinet.

Anne Counsell

Tourism

A lack of strategy

JORDAN HAS all the ingredients for what should be a dynamic tourism industry: fine weather, a complete infrastructure, hundreds of antiquities and biblical sites and unique natural attractions. The geographic location, is also stragetic, and its people gregarious and easygoing. Should an Arab-Israeli peace ever materialise, Jordan's tourism potential would grow exponentially.

But Jordan's tourism potential remains substantially untapped, due to the combination of imprecise national priorities and strategies, a meagre marketing and promotion budget, and inconsistent coordination among the various component parts of the tourism industry, such as the Tourism Authority, hotels, travel agents, the national airline, and land transport companies.

Tourism developed in Jordan in the 1950s and 1960s due to demand from Europe and North America for trips to Holy Land sites, notably Jerusalem and Bethlehem. When Jordan lost the West Bank and the Holy Land attractions to Israel in the 1967 war, the government was forced back on the substantial, but latent tourism potential east of the Jordan River.

Not only does Jordan have world class attractions in Petra, the 2,000-year-old, rock-cut capital city of the Nabataean Arab kingdom, and the Greco-Roman city of Jerash; it also boasts a splendid array of antiquities sites spanning every major period of human civilisation. They include stone age villages, biblical walled towns and archaeological remains from the Bronze and Iron ages, Greco-Roman fortresses and towns, Nabataean temples and cities, Byzantine churches, mosaics and villages, early and medieval Islamic palaces, baths and fortresses, Crusader castles, and Ottoman forts and villages.

This wealth of antiquities is easily accessible through a comfortable infrastructural network of roads, hotels, resthouses, airports and airline connections, coaches and rent-a-cars it is complemented by an equally varied and unusual fare of specialist attractions.

These include bird-watching at the Azraq oasis, several mineral hot springs in use since Roman times, the briney therapeutic waters of the Dead Sea (at 400 metres below sea level, the lowest spot on Earth), superb snorkling, scuba-diving and year-round marine sports at the Red Sea port resort of Aqaba.

It is possible to take a nostalgic ride on a World War I vintage steam railway along the line made famous by Lawrence of Arabia, horseback ride along the ancient Spice and Incense Route in the Petra region, and climb, hike and caravan in the pastel-coloured, moonscape-like expanses of Wadi Rum, to mention only the most important.

Riding on the back of the Holy Land market's pull, Jordan has steadily increased the number of annual tourist arrivals and the length of their stay in the country. In 1986, the tourism and travel current account brought in JD 186m ($558m), compared with 1985's record high JD 204m ($600m). Though total "arrivals" into Jordan increased from 1.89m in 1985 to 1.912m in 1986, actual tourist arrivals are thought to have dropped if expatriate Jordanians and Palestinians and Arab workers are omitted from the arrivals figures.

European arrivals dropped from 109,683 to 90,341, and North Americans declined from 60,853 to 37,078—largely due to the same fears of political violence that kept so many North Americans away from West European and Mediterranean destinations.

Jordan's strategy is to lessen its traditional vulnerability to the erratic North American market and focus on the less fickle Europeans, who in any case spend an average of about five nights in the country, compared to the Americans' one-to-two nights. Royal Jordanian airline concentrates its marketing on North America, as it benefits more directly from ferrying Bible-minded pilgrims to the Holy Land via Amman and the Jordan River bridges.

Direct charter flights from European capitals to Aqaba are expected to resume next year after nearly a decade's suspension, while closer co-operation with several leading European tour operators has started to stimulate the market again after last year's slippage.

Those few European operators who specialise in Jordan and other Near East destinations, such as Jasmin Tours of the UK, report high advance bookings this year, and say they would be able to bring more travellers to Jordan if sufficient high season (spring and autumn) hotel accommodations were available at Petra, Aqaba and Amman.

The government also expects to increase visitors by linking its tourism promotion to that of Egypt's, which draws a far bigger number of tourists every year, by producing joint promotional materials and conducting joint marketing campaigns at key international tourism industry exhibitions.

An important, but as yet untapped, potential market is the Gulf Arab tourist, particularly family groups who like to drive their vans and large cars to neighbouring Arab states, such as Syria and Egypt, during the hot summer months. During the past two years, an annual average of 300,000 Gulf Arabs passed through Jordan on their way to other Arab states, and an effort is being made to build facilities (notably a tourist village in the cool green mountains of Dibbin, near Jerash) to meet their needs.

There is still much room for the private sector to provide more facilities on the ground and increase its marketing efforts abroad. Recent experience suggests that some private investors are willing to build new facilities or take other initiatives on their own, without the government as a partner.

Examples are the Nazzal family's plans to build a therapeutic complex at the Dead Sea and its desire to build another hotel at Petra, three new small private hotels in Irbid, Ajlun and Azraq, and the effort by the leading domestic tour operator, International Traders, to promote Jordan as a destination for incentive tours, conferences and conventions.

After his pilot effort drew an enthusiastic response from Europeans last year, International Traders director Mr Munir Nassar is co-ordinating a more ambitious drive this year, directed at the North American and European market.

Rami G. Khouri

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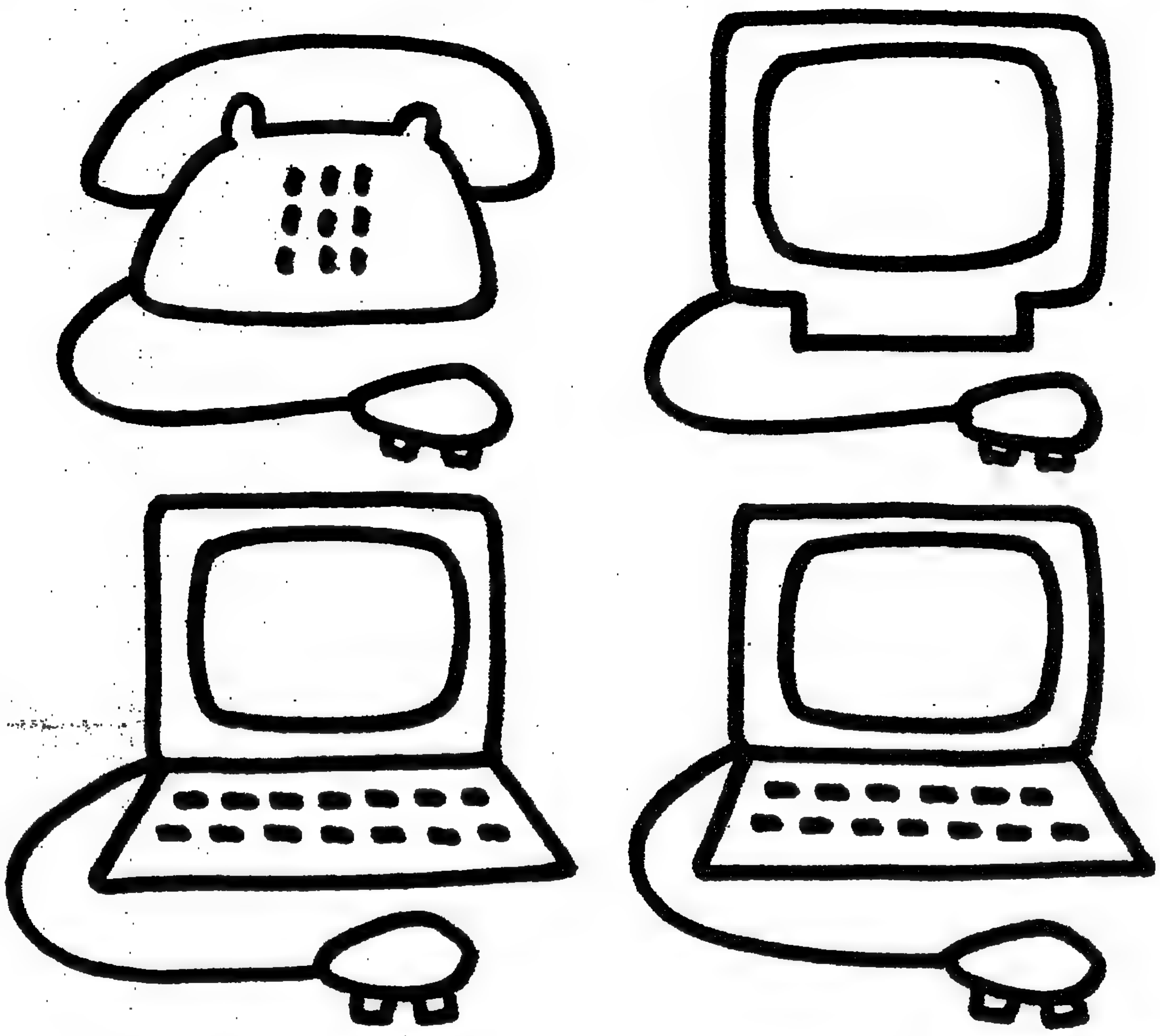

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FT LAW REPORTS

Italian office bound by property contract

JANRED PROPERTIES LTD v ENTE NAZIONALE PER IL TURISMO (NO 2)

Court of Appeal (Lord Justice O'Connor, Lord Justice Croom-Johnson and Lord Justice Nourse): May 19 1987

A FOREIGN state organisation which contracts to buy property without obtaining ministerial approval as required by its constitution, is estopped from denying the validity of the contract if it ratifies it and as a result the other party suffers detriment, and if under the law governing its constitution such a contract is within its capacity and would be susceptible of ratification on obtaining ministerial approval.

The Court of Appeal so held when dismissing an appeal by Ente Nazionale per il Turismo, the Italian Tourist Office (Enit), from Mr Justice Knox's decision *([1986] 1 FTLR 246)* that it was liable in damages to Janred Properties Ltd, a property development company, for failing to complete the purchase of a long lease. A cross-appeal by Janred on damages was dismissed.

LORD JUSTICE NOURSE said that Enit was an Italian state organisation supported largely by public funds. Janred held London property under an underlease which had 79 years to run.

On March 19 1982 two agreements were entered into between Janred and Enit. The first was for the grant to Enit of a sub-underlease for 25 years. The second conferred on Enit an option to purchase Janred's underlease for £1.5m.

The option was exercisable until June 30 1982. On exercising it Enit was to pay a deposit of £150,000. Completion was to be July 31.

The 25-year lease was granted out of time, but the parties treated it as valid. The option was not exercised on June 30, and lapsed.

On July 2 a further agreement ("the July agreement") was reached between Janred and Enit by which the option was extended to July 2 and completion was postponed to September 30. It was signed by a Mr Tomba, Enit's London manager, and by a Janred director. A post-dated cheque for £150,000, also signed by Mr Tomba, was handed over.

Enit's constitution was regulated by Law 648. It was empowered to set up information offices abroad but the acquisition of property required the approval of the Minister of Tourism and Entertainment.

Between December 1980 and October 1982 all Enit's powers were vested in its president, Mr Moretti, although he did not have power to give or dispense with the Minister's approval where that was necessary.

Payment of the £150,000 on presentation of the postdated cheque was made on Mr Moretti's authority. It was therefore an act of Enit itself.

After July 2 the conveyancing procedures in London between contract and completion proceeded normally. In Rome there were negotiations to try to assemble the outstanding £1.35m.

Between September 29 and October 7 Mr Moretti made a number of approaches to the Minister for general approval and for approval of the expenditure. On October 8 the Minister wrote to Mr Moretti approving a suggestion that he should check personally in London the possibility of delaying completion so as to avoid loss of the deposit.

On October 4 Janred served on Enit a 21-day notice to complete. On October 14 Mr Moretti went to London to a meeting with Janred. He offered to complete by deferred instalments. That was not accepted. On October 28 Janred issued the writ in the present action.

The property had been kept off the market on the strength of the option agreement, the July agreement and the continued negotiations for delayed completion. There had been no suggestion of repudiation of the contract by Enit. It was put back on the market on November 2. The loss to Janred on resale was £200,000.

Before Mr Justice Knox, Mr Brodie for Enit submitted that it had no power to enter into the July agreement without the Minister's approval, and that it was therefore *ultra vires* and void.

The judge held that because of the lack of approval Mr Moretti did not have power to authorise Mr Tomba to bind Enit. But he found that under Italian law, where a contract was made on behalf of a public entity such as Enit without requisite consent, the result was not a total nullity.

Such a contract was subject to *nullita relativa*. It was voidable at the suit of the public authority with the consent of the Italian court, but was binding on and was not voidable by the other party. The judge found it was "susceptible of ratification by the public entity on obtaining the requisite consent . . ."

He held that estoppel was not excluded by *nullita relativa* because *ultra vires* rendered a transaction a nullity, which could not be said of *nullita relativa*, and because Enit as opposed to its officers, had power to enter into the July agreement, which fell squarely within its objects.

The judge held that the July agreement was binding on Enit by estoppel. Although his approach was perfectly acceptable, there was a slightly different route to the same end.

Assuming there was no contract in existence on July 2, there were two subsequent events of crucial importance which constituted ratification by Enit of the July agreement, or entry into a fresh contract on the same terms. On each occasion the act was clearly the act of Enit itself and not the unauthorised act of one of its officers. The only thing still lacking was the minister's approval.

The first of those events was the provision of £150,000 deposit on July 14. Payment was made on the authority of Mr Moretti, in whom all Enit powers were vested.

It was difficult to conceive of an act more clearly calculated to ratify a previously unauthorised contract for the purchase of land, or to constitute entry into a fresh contract on the same terms.

The second event was the part played by Mr Moretti at the meeting on October 14, in particular his offer to complete the purchase by deferred instalments.

Again, it was difficult to conceive of a more vivid act of ratification or affirmation, assuming that such an act was still needed.

As a matter of Italian law on July 14 or October 14 there came into existence a contract to purchase the property on the terms of the July agreement. That contract was voidable at the suit of Enit and with the consent of the Italian court, but was binding on and not voidable by Janred. It was susceptible to ratification by Enit on obtaining the Minister's approval.

If that was the position under Italian law, there was no principle which required English law, as the law governing the contract, to take a different view. There was no reason why the doctrine of estoppel should not be capable of applying.

Enit acted in such a way as to lead Janred to suppose that it regarded itself as bound by the contract and fully intended to complete. The Minister's approval of Mr Moretti's proposal to seek delay in completion could only have served to confirm Enit's representation that it regarded itself as bound by the contract.

It being clear that there was sufficient detriment to Janred Enit was estopped from denying that it was bound by the July agreement. The appeal was dismissed.

Lord Justice Croom-Johnson gave a concurring judgment. Lord Justice O'Connor agreed.

For Janred: Gavin Lightman QC, Jonathan Crystal and Elizabeth Jones (Howard Kennedy)

For Enit: Stanley Brodie QC and Stephen Nathan (Colombotti & Partners)

By Rachel Davies
Barrister

Company Notices

UNILEVER N.V.

DIVIDEND ON CERTIFICATES FOR ORDINARY CAPITAL
ISSUED BY N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR

Final dividend payments in respect of the year 1986 will be made on or after 3 June 1987 as follows:—

SUB-SHARES OF FL.12
IN THE NAME OF MIDLAND BANK EXECUTOR AND TRUSTEE COMPANY LIMITED now MIDLAND BANK TRUST COMPANY LIMITED

A dividend, Serial No 118 of Fl.6.402 per sub-share, equivalent to 189.9421p converted at Fl.3 3705 = £1.

DUTCH DIVIDEND TAX relief is given by certain Tax Conventions concluded by the Netherlands. A resident of a convention country will, generally, be liable to Dutch dividend tax at only 15% (Fl.0 9603, 28.4913p per sub-share) provided the appropriate Dutch exemption form is submitted. No form is required from UK residents if the dividend is claimed within six months from the above date. If the sub-shares are owned by a UK resident and are effectively connected with a business carried on through a permanent establishment in the Netherlands, Dutch dividend tax at 25% (Fl.1.6005, 47.4855p per sub-share) will be deducted and will be allowed as credit against the tax payable on the profits of the establishment. Residents of non-convention countries are liable to Dutch dividend tax at 25%.

UK INCOME TAX at the reduced rate of 12% (22.7931p per sub-share) on the gross amount will be deducted from payments made to UK residents instead of at the basic rate of 27%. This represents a provisional allowance of credit at the rate of 15% for the Dutch dividend tax already withheld. No UK income tax will be deducted from payments to non-UK residents who submit an Inland Revenue Affidavit of non-residence in the UK.

To obtain payment of the dividend sub-share certificates must be listed on Listing Forms obtainable from:—

Midland Bank plc, Stock Exchange Services Dept., Mariner House, Pepys Street, London, EC3N 4DA
Northern Bank Limited, 2 Waring Street, Belfast BT1 2EE
Allied Irish Banks plc, Securities Dept., Stock Exchange, Bank Centre, Ballsbridge, Dublin 4
Clydesdale Bank PLC, 30 St Vincent Place, Glasgow.

Separate forms are available for use (a) by Banks, UK firms of Stockbrokers, Solicitors or Chartered Accountants (b) by other claimants. Notes on the procedure, in each case, are printed on the forms.

DUTCH CERTIFICATES OF FL.1000, FL.100 and FL.20

A dividend of Fl. 10.67 per Fl.20 against surrender of Coupon No 118. Coupons may be encashed through one of the paying agents in the Netherlands or through Midland Bank plc; in the latter case they must be listed on the special form, obtainable from the Bank, which contains a declaration that the certificates do not belong to a Netherlands resident. Instructions for claiming relief from Dutch dividend and UK income tax are as set out above except that UK residents liable to Dutch dividend tax at only 15% must submit a Dutch exemption form. Dutch dividend tax on this dividend is Fl.2.6675 at 25% and Fl.1.60 at 15%. The proceeds from the encashment of coupons through a paying agent in the Netherlands will be credited to a convertible florins account with a bank or broker in the Netherlands.

A statement of the procedure for claiming relief from Dutch dividend tax and for the encashment of coupons, including names of paying agents and convention countries, can be obtained from Midland Bank plc at the above address or from the London Transfer Office.

N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR
London Transfer Office, Unilever House, Blackfriars, London EC4P 4BQ.
20 May 1987.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

Art Galleries

COLNAGHI, 14, Old Bond St., W1. 01-491 7408. ENGLISH DRAWINGS AND WATERCOLOURS. Until 13 June. Mon.-Fri. 10-6; Sats. 10-1.

RICHARD GREEN, 44, Dover Street, W1. 01-493 [illegible]. MODERN BRITISH PAINTINGS. Mon.-Fri. 10-6; Sats. 10-12.

Notice of Meeting
of
MARINE AND GENERAL MUTUAL LIFE ASSURANCE SOCIETY

NOTICE IS HEREBY GIVEN to the Members that the 135th Annual General Meeting of the Society will be held at MGM House, Heene Road, Worthing, West Sussex on Wednesday 24 June at 12.30 p.m. for the following purposes:
1 To receive the Directors' Report and Financial Statements for the year ended 31 December 1986.
2 To consider the election of directors.
3 To appoint Peat Marwick McLintock as auditors of the Society and to authorise the directors to fix their remuneration.
4 Any other business.

By Order of the Board
J. SUTTON, Secretary
15 April 1987

Each member may attend and vote in person or by proxy at meetings of the Society. A proxy need not be a member of the Society.

ANNUAL GENERAL MEETING

Notice is hereby given that the Fourth Annual General Meeting of Standard Chartered Offshore Money Market Fund Limited will be held at Standard Chartered House, Conway Street, St. Helier, Jersey, Channel Islands, on Friday, 19th June 1987 at 12.00 noon.

By Order of the Board
Standard Chartered Fund Managers (C.I.) Limited
Secretary

May 22 1987

REPORT AND ACCOUNTS

The Report and Accounts and Auditors' Report thereon of Standard Chartered Offshore Money Market Fund Limited for the year ended 31st March 1987 are available without charge from Standard Chartered Fund Managers (C.I.) Limited, PO Box 122, Conway Street, St. Helier, Jersey, Channel Islands.

EAST RAND GOLD AND URANIUM COMPANY LIMITED
(Registration No. 71/07001/06)
(Incorporated in the Republic of South Africa)

CLOSING OF SHARE REGISTERS

NOTICE IS HEREBY GIVEN that, for the purpose of the general meeting of members convened for Thursday, June 11 1987, the transfer registers and registers of members of the company will be closed from Saturday, June 6 to Thursday, June 11 1987, both days inclusive.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: H. E. Phillips
Divisional Secretary

Registered Office:
44 Main Street
Johannesburg 2001
May 22, 1987

WESTERN DEEP LEVELS LIMITED
(Registered No. 57/02349/06)
(Incorporated in the Republic of South Africa)

CLOSING OF REGISTERS

NOTICE IS HEREBY GIVEN that, for the purpose of the general meetings of members and of option holders convened for Thursday, June 11 1987, the transfer registers and registers of members and option holders will be closed from Saturday, June 6 to Thursday, June 11 1987, both days inclusive.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per J. H. PERRY
Companies Secretary

Registered Office:
44 Main Street
Johannesburg 2001
May 22 1987.

NOTICE TO BONDHOLDERS
CITY OF COPENHAGEN
8½% 1979/1991 BONDS
25,000,000 EUROPEAN UNITS OF ACCOUNT

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased for the Purchase Fund during the twelve-month period from May 15, 1986 to May 14, 1987.

Amount outstanding: UA 13,578,000.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

May 22, 1987.

US$330,000,000
2nd Series Floating Euro-dollar Repackaged Assets of the Republic of Italy due 1993
F.E.R.A.R.I. II

For the 3 months period May 22, 1987 to August 24, 1987 the Notes will carry an interest rate of 7 9/16% per annum with an interest amount of US$2,072.67 per US$100,000 Note. The relevant interest payment date will be August 24, 1987.

BANQUE PARIBAS (LUXEMBOURG) S.A.
Agent Bank

APPOINTMENTS

Joining Unilever board

Mr K. H. Veldhuis, a director of UNILEVER N.V. and UNILEVER PLC, has retired. Mr N. W. A. FitzGerald and Mr J. Peelen have been elected directors of both companies.

*

ATLANTIC COMPUTERS has made four appointments to its main board following the merger with Comcap. The executive appointments, effective from May 22, are as follows: Mr Nick Kennedy Scott, becomes group finance director of Atlantic. He was joint managing director of Comcap. Mr Barry Sack becomes divisional director responsible for Atlantic's financial and property services division. He was joint managing director of Comcap. Mr George Muller and Lord Selsdon become non-executive directors, having been in similar positions on the Comcap board.

*

Mr Barrie Pipkin has been appointed marketing director of COUNTRY CLUB HOTELS, a subsidiary of Whitbread. He was sales and marketing manager.

*

Mr N. K. Rice has been appointed chairman of DEVITT (ENERGY) part of the Devitt Group.

*

Mr Roger Smith is to succeed Mr James Longcroft as chairman of TRIMOCO and Mr Epno Koopmans will resign from the board following the annual meeting.

*

Mr Eric Nutter has been appointed group managing director of CLAYTON DEWANDRE HOLDINGS manufacturer of air braking systems and other automotive components. He was director and general manager of Hailwood & Ackroyd, one of Clayton Dewandre's four UK manufacturing units. Clayton Dewandre Holdings is a member of the WABCO Automotive Products Group of American Standard Inc.

*

At the annual meeting of THE TEXTILE INSTITUTE Mr Paul Wierks, senior vice president of WERNER INTERNATIONAL was installed as president of the Institute for 1987 to 1989. Professor John Hearle and Mr Yoshitoshi Toyoda, were elected vice presidents for 1987 to 1990.

*

Mr Jim McColl has been appointed managing director of CLYDESDALE RETAIL. He has also been appointed deputy managing director of the Clydesdale Group. Mr McColl joined the group in February 1986 as a director with special responsibility for rental and group buying.

*

NATIONAL & PROVINCIAL BUILDING SOCIETY has appointed Mr Kenneth Andrew as commercial director with responsibility for marketing and customer services. For the past two years he has been with the Chase Manhattan Bank N.A. as vice-president and director of consumer marketing for the UK and Europe responsible for developing the bank's consumer business.

*

Mr John F. K. Hinde has been appointed legal co-ordinator for the principal service companies of the ROYAL DUTCH/SHELL GROUP from October 1.

*

SPARTEX has appointed Mr Brian D. Johnson as chairman. Other appointments include Mr Robert Dearsley as marketing director, Mr Dominic Flint as products director, Mr Leonard Palmer as software support director and Mr Toby Everett as company secretary.

*

At STONELEIGH ELECTRONICS, Romford, Mr David Berg has been promoted to director in addition to general manager.

*

SUN LIFE ASSURANCE SOCIETY has appointed Lord Bancroft as deputy chairman to succeed Mr Matthew Pryor, who has retired. The vice chairman, Sir Arthur Norman, has also retired.

*

Mr Peter Larder has been appointed marketing director of ATHENA INTERNATIONAL, a wholly-owned subsidiary of Pentos. He was marketing manager of Duracell UK.

*

Mr Peter Nutting, Mr Michael Davies, Mr Iain Shearer and Mr Dennis Ball have been elected directors and Mr A. T. Brain and Mr K. J. Richards have retired as directors of JAMES WILKES. Mr Nutting has been elected chairman. He is a former merchant banker and chairman of Travel & General Insurance Company.

*

RICARDO CONSULTING ENGINEERS, Shoreham-by-Sea, has appointed Dr Douglas Taylor as chairman and Mr John Bailey as director, client services and business development. The former chairman, Sir Diarmuid Downs, retired on April 30. Dr Taylor will combine his new post with his former responsibilities as managing director. Mr Bailey will also assume Dr Taylor's former responsibility for Ricardo's technical support and consulting activities. He was previously responsible for the European automotive consulting programme at SRI International.

*

TELEX COMPUTER PRODUCTS (UK) has appointed Mr Karl McLean as sales and marketing director and Mr Richard Metcalfe as director of finance and administration. Mr McLean joins from Zenith Data Systems where he was UK sales manager. Mr Metcalfe joined Telex from Esselte Meto where he was financial director.

Townsend Thoresen operations and safety posts

TOWNSEND THORESEN, part of the P and O Group, has appointed Mr Leslie Stephenson as deputy managing director, responsible for fleet operations. Based at Dover he will have overall responsibility for fleet procedures as well as Dover-based senior masters. He was managing director of the Portsmouth-based operation. Capt. Tony Barrett becomes a director of Townsend Thoresen. He will continue the comprehensive review of safety and nautical procedures already started and advise Mr Stephenson and managing director Mr Graeme Dunlop concerning the implementation of his recommendations.

*

NORTON OPAX has appointed Mr Edmund Langley as chief executive officer of its American holding company McCorquodale Holdings Inc. which is based in Baltimore. He joins from Datatrol Corporation, where he was president.

*

Mr Paul W. "Buddy" Meek, managing director of NORTH SEA SUN OIL COMPANY has retired. He will be replaced by Mr Anthony J. Higginson, who has served as legal advisor for North Sea Sun since 1984.

*

The BUILDING EMPLOYERS CONFEDERATION has elected Mr John Parsons as president for 1987/88. He is the group chairman of William Cowlin & Son, Bristol.

*

Mr Walter Marlowe has joined FIRST INTERSTATE BANK OF CALIFORNIA, London branch as vice president and head of special finance. He will be responsible for structured and leveraged finance, asset based lending, and corporate advisory work. Mr Marlow was a member of Banker Trust's UK corporate finance group.

*

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO has appointed Mr C. Timothy Wood as managing director and chief executive officer of Continental Bank S.A. in Brussels. Mr Dennis H. Montgomery has been named operations general manager for the UK and Europe. Mr Michael D. Allen becomes head of Continental's corporate banking group in London. He was managing director of Continental Bank S.A. in Brussels.

London & Scottish banks' balances

as at April 30 1987

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	28,157		−412	
UK private sector	110,674		+1,160	
UK public sector	3,516		+7	
Overseas residents	15,315		−66	
Certificates of deposit	9,290		−428	
		166,952		+261
of which: Sight		72,261		−1,461
Time (inc. CDs)		94,690		+1,722
Foreign currency deposits:				
UK monetary sector	17,042		−2,118	
Other UK residents	7,913		−149	
Overseas residents	43,295		−815	
Certificates of deposit	5,336		−94	
		73,590		−3,177
Total deposits		240,542		−2,916
Notes in circulation		336		+30
Other liabilities*		43,533		−1,377
TOTAL LIABILITIES		284,411		−4,263
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	558		+35	
Other balances	2,241		−218	
		2,799		−184
Market loans:				
Discount houses	4,916		+533	
Other UK monetary sector	28,723		−841	
UK monetary sector CDs	4,171		−427	
Local authorities	1,217		−61	
Other	5,955		+118	
		44,981		−678
Bills:				
Treasury bills	402		+82	
Other bills	4,257		+636	
		4,659		+718
Investments:				
British Government stocks	6,291		−229	
Other	5,277		−20	
		11,568		−249
Advances:				
UK private sector	109,510		+944	
UK public sector	416		+31	
Overseas residents	6,340		+843	
		116,266		+1,818
Other sterling assets*		17,063		−1,762
Foreign currencies				
Market loans:				
UK monetary sector	17,160		−1,335	
Certificates of deposit	464		−2	
Other	33,767		−1,958	
		51,391		−3,295
Bills		410		+74
Advances:				
UK private sector	9,085		−134	
UK public sector	790		−29	
Overseas residents	15,715		−729	
		25,590		−892
Other foreign currency assets*		9,779		+192
TOTAL ASSETS		284,411		−4,263
Acceptances		5,315		+322
Eligible liabilities		125,712		+2,058

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westmstr. £m	Royal Bk. of Scot. £m	Standard Chartered £m	TSB £m
LIABILITIES OUTSTANDING									
Sterling deposits	166,952	6,366	36,841	26,567	26,589	45,946	9,868	3,692	11,161
Change on month	+261	−86	−193	+902	−224	+6	−348	−114	+218
Foreign currency deposits	73,590	1,082	14,506	8,961	15,060	21,632	3,899	8,315	134
Change on month	−3,177	−45	−295	−338	−512	−1,433	+42	−576	−20
Total deposits	240,542	7,448	51,347	35,528	41,569	67,579	13,767	12,008	11,295
Change on month	−2,916	−131	−488	+564	−736	−1,427	−306	−690	+197
STERLING ASSETS OUTSTANDING									
Cash and balances with the Bank of England	2,799	348	400	225	474	584	488	24	198
Change on month	−184	+12	−72	−28	−6	0	−133	+12	+30
Market loans—UK monetary sector	33,639	827	6,457	4,323	4,684	12,607	1,588	901	1,697
Change on month	−308	−191	+132	+232	+35	−361	−157	+18	+18
Other	11,342	171	2,803	1,584	1,307	2,916	490	331	1,740
Change on month	−370	+97	+42	−118	+142	−435	+15	−41	−32
Bills	4,659	180	1,213	1,264	125	852	382	61	430
Change on month	+718	+76	−32	+464	+11	+155	+52	0	+41
British Government stocks	6,291	169	863	591	1,411	725	234	200	2,126
Change on month	−229	−112	−153	−59	+31	−31	+4	0	+65
Advances	116,266	5,447	26,847	18,732	19,650	29,342	7,772	2,781	5,659
Change on month	+1,818	+135	+26	+628	+337	+478	+75	+7	+199
FOREIGN CURRENCY ASSETS OUTSTANDING									
Market loans and bills	51,801	435	10,684	7,125	7,829	17,314	2,576	5,731	85
Change on month	−3,221	−5	−220	−476	−1,288	−736	+151	−642	−17
Advances	25,590	804	3,819	2,289	6,791	5,794	1,595	3,416	71
Change on month	−892	−38	−165	−76	−5	−483	−95	−25	−1
ACCEPTANCES OUTSTANDING	5,315	228	1,376	335	1,265	1,216	441	302	131
Change on month	+322	−10	+390	−17	+32	+9	−46	+17	+37
ELIGIBLE LIABILITIES OUTSTANDING	125,712	5,456	28,255	20,907	21,380	30,738	7,906	2,611	8,639
Change on month	+2,058	+88	−186	+984	+382	+690	+79	−188	+230

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
22	23	24	25	26	27	28

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Turandot, one of the house's most successful and enjoyable productions of recent years, continues in repertory, with Eva Marton (May 22) and Gwyneth Jones (25) in the title role, and Jacques Delacote as conductor. Werther, a pretty-pretty John Copley production of Massenet's opera, is revived to introduce Francisco Araiza and Agnes Baltsa to London in the leading roles. (240 1066).

English National Opera, Coliseum: Shostakovich's Lady Macbeth of Mtsensk, in a new production by David Pountney conducted by Mark Elder, adds another key Russian opera to the company's repertory. Josephine Barstow, Jacque Trussel and Willard White lead the large cast.

Also in the schedule: Don Giovanni, led in lively fashion by William Shimell, Richard Van Allan, and Rita Cullis; and the Gerald-Scarfe designed Orpheus in the Underworld, more notable for elaborate, fantastic sets than for any very authentic sense of Offenbach wit or satire. (836 3161).

PARIS

Der Fliegende Holländer with Marek Janowski/Christopher Perick conducting the romantic parabole on the solitude of the artist in society. Paris Opéra (4266 5022).

Spectacle Ecole de Danse presents The Two Pigeons followed by Suite en blanc in hommage to Serge Lifar at the Opéra Comique (4296 0611).

Ballet Antonio Gades at the Palais Des Congres (4266 2075).

Merce Cunningham Dance Company with his radically modern conceptions. Théâtre de la Ville (4274 2277).

Euridice – a musical fable – is co-produced by Radio France, Montpellier Opera and TMP Châtélét at TMP Chêlét at TMP-Châtélét (4233 4444).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera with Puccini's Madame Butterfly directed by Monique Wagemakers and designed by Hermann Soherr. The Netherlands Philharmonic conducted by Lucas Vis, with Hiroko Nishida (Cho-Cho-San), Franco Farina (Pinkerton), Judith Christin (Suzuki), and Malcolm Donelly (Sharpless). (Thur). (255 455).

The Netherlands Opera touring company with the Barber of Seville directed and designed by Dario Fo, the Netherlands Philharmonic conducted by Stephen Barlow. Kathryn Cowdrick (Rosina), Yoshihisa Yamaji (Almaviva), and David Malis (Figaro). Tue in Tilburg, Schouwburg (432220).

Scheveningen, Circus Theatre. The Nederlands Dance Theatre, with the Netherlands Ballet Orchestra under David Porcelijn. World premieres of ballets by Jonathan Taylor, Nacho Duato (to Ravel's Bolero) and Synaphai (Duato/Xenakis, Vangelis) (Thur). (55 88 00).

SPAIN

Madrid, Puccini's Il Trittico with Vladimir Atlantov, Juan Pons, Diana Soviero, Iolanta Radek. An own production, first time in Madrid. Teatro la Zarzuela. Jovellanos 4, (Wed).

NEW YORK

American Ballet Theatre (Metropolitan Opera House): Cynthia Gregory, Marianna Tcherkassky and artistic director Mikhail Baryshnikov return for the spring season of mixed programmes, including company premieres of Sunset choreographed by Paul Taylor to Elgar and Enough Said, Clark Tippet's choreography to George Perle's music. Lincoln Center. Ends June 13. (362 6000).

New York City Ballet (New York State Theater): More than 40 works by Balanchine, Robbins, Peter Martins and other choreographers will be part of the two-month-long 86th season, including two new works by Martins set to music by Händel and Michael Torke. Ends June 28. Lincoln Center (780 5570).

TOKYO

Australian Ballet Company. Don Quixote. (Tokyo Bunka Kaikan (Tues, Wed). (573 3588).

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel remains in London with Jonathan Hyde and Eleanor David replacing new toasts of Broadway Alan Rickman and Lindsay Duncan. (836 6111 or 836 1171).

Woman in Mind (Vandeville): Pauline Collins and Michael Jayston now lead a new cast in Alan Ayckbourn's bleakly ingenious comedy about a housewife fantasising the ideal family on the back lawn. (836 9987/5645).

High Society (Victoria Palace): Dramaturgically sound but musically weak conflation of film, play and assorted Cole Porter hits directed with punch but little taste by Richard Eyre, director designate of the National Theatre. Stephen Rea notably charming in the Sinatra role, Natasha Richardson uncowed by Grace Kelly as the ice maiden who melts (834 1317/838 4735).

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban pleywright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

BRUSSELS

Victorian Jubilee Music Hall (in English). Théâtre du Residence Palace (762 0251).

American National Theatre Ajax by Sophocles (in English) staged by Peter Sellars and designed by George Tsypin. Théâtre Royale de la Monnaie (218 1211).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

All My Songs (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

CHICAGO

Tempest (Goodman): Company artistic director Robert Falls directs Denis Arndt as Prospero in a new production with sets by Adrianne Lobel. Ends May 29.

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

Opera Comique (Eisenhower): Anne Jackson and Eli Wallach star in Nagle Jackson's new comedy. Ends June 6. Kennedy Center (254 3670).

TOKYO

Kabuki (Kabuki-za): The dance section of the matinée is the best bet for newcomers. Famous actor Baiko dances the charming wisteria maiden, and Kanzaburo an old Buddhist priest begging for alms. The highlight of the evening performance is Funa Benkei, symbol of loyalty to the Japanese. A lively and typical Kabuki scene is the battle between the water-borne ghost and General Yoshitsune's followers. English programme and excellent earphone commentary. (541 3131).

Kabuki (Shimbashi Embujo): Ennosuke stars in his own version of Yoshitsune Senbon Zakura (a more adventurous – even audacious – version of the play at Kabuki-za) Ennosuke's productions are the most spectacular in the form today, especially his quick-changes and trapeze acts. His ghost and fox roles are great fun. For first-timers to Kabuki this is a must (541 2211).

Chinese Opera: Chuan Troupe from Sichuan Province. The White Snake is the story of two sisters who have spent a thousand years in religious training on a holy mountain and their adventures when one embarks on a love affair. National Théâtre (580 0031).

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

French Masters of the 19th and 20th century: From Toulouse-Lautrec's Moulin de la Galette to a rare Gauguin with a landscape of Brittany seen through a luxuriant prism of colours; from a powerful flower composition by Nicolas de Stael to Cezanne's protrait of Madame Cezanne, from a pastel coloured Picasso still life to the most frequently reproduced Degas dancer, the traditional spring exhibition at the Schmitt Gallery can boast not only an exceptionally long list of great names of the period it covers but exceptional quality as well. Galerie Schmit, 396 Rue Saint-Honoré (4260 3636). Closed Sundays and lunch times. Ends July 18.

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Tanis, The Gold of the Pharaohs: Part of a dazzling treasure from the tombs of the pharaohs of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli funerary masks, pectorals and ceremonial vases were discovered in the late 1930s in the delta of the Nile, in Tanis, the capital of a country torn by internal strife. Yet the relative impoverishment seems to have inspired the royal craftsmen with an elegance whose near-classical restraint appeals to modern sensibility. Grand Palais, closed Tue, Ends July 20 (4289 5410).

Costume-Coutume. Where better to stage an exhibition on clothes and their sociological significance than in Paris, whose very name is synonymous with fashion! The imaginatively presented exhibition ranges from the breeches and tunics of ancient Gauls to the rare exhibits from the 18th century – le Habit Français – and to Edith Piaf's legendary little black dress. Grand Palais (Closed Tue, Wed late closing) ends June 15 (4289 5410).

Berthe Morisot: More than 40 oils, pastels, watercolours, crayons and sculptures retrace the development of the woman painter who, influenced at first by Corot, became a friend of the impressionists and took part in their first exhibition. Galerie Waring Hopkins, Alain Thomas, 2, rue Miromesnil (4265 5105). Opened all days except Sundays and lunchtime. Ends June 27.

Raoul Dufy: mediterranean blues, strawberry pinks, the greens of the paddocks blaze in Dufy's magic universe. The expanses of colour are milling with people – people in restaurants, people at concerts, people and horses at the races. Even the trees are alive with countless leaves, regattas with countless boats. Only the nudes seem oddly uncomfortable. Daniel Malingue, 26 Ave Matignon (4266 6033). Closed Sundays, Monday mornings and lunch times. Ends June 20.

ITALY

Venice: Palazzo Grassi: 'The Arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertunno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Archimboldo's predecessors, such as Leonardo, Durer and Bosch, as well as those of artists active in the early years of the 20th century. It attempts to draw links – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

NETHERLANDS

Amsterdam, Van Gogh Museum. Thirty paintings by some of the leading French Realists and Impressionists on loan from New York's Metropolitan Museum. Extending from Delacroix to Gauguin, with a sprinkling of Vincent van Gogh's favourite artists, there are landscapes by Millet, Corot and Monet, a Cezanne still life, Manet's colourful and supremely self-assured Young man in the Costume of a Majo, and Pissarro's evocative Boulevard Montmartre. Ends May 31.

SPAIN

Madrid, Daniel Aubry. American Icons. Photographs by young artist in his many travels. Achna, San Bernardo 167. Ends June 3.

Madrid, Centro de Arte Reina Sofia, Santa Isabel 52. Raumbilder: 5 German sculptors in Madrid. Ends June 22. Also: American Dreams. 118 photographs by 35 photographers from 1880. Ends July 6.

Madrid. Diego Rivera. A retrospective 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 180 oil and tempora paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

Madrid, a Franck Auerbach retrospective: 40 oil paintings by the German artist who moved to the UK in 1939 and is an exponent of the figurative expressionism tradition. This show, sponsored by British Council, was recently seen in Hamburg and Essen. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Jun 1.

Barcelona, Auguste Rodin. 60 bronze figures and 40 watercolours on loan by Musée Rodin. Catalogue shows artists' influence on Cataluny's art schools and the Noucentisme. Museo de Arte Moderno, Parque de la Ciudadela. Ends Mid-June.

NEW YORK

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organised by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 80 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by Cézanne, Manet, Renoir, Seurat and Gauguin. Ends June 21.

CHICAGO

Art Institute: The 1983 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

TOKYO

Masterpieces of Japanese and Chinese Art from the British Museum: This joint effort by Tokyo National Museum, Asahi Newspaper, NHK and British Museum brings back to the Orient some 150 works of painting, ceramics, lacquer and bronze dating from the Ancient Shang period (13th century BC) to Edo period (1600-1868). Many are being seen outside Britain for the first time. Especially notable are the rare T'ang period Dunhuang silk banners from Stein's early 20th century expeditions to the Silk Road. Delicately wrought metalwork animals by redundant 19th century Japanese armour makers are also eye-catching. This exhibition is part of the fund-raising efforts towards the building a separate Japanese Gallery in the British Museum. Tokyo National Museum, Ueno Park. Ends June 7. Closed Mons.

Jonathan Borofsky: 61 works from the unconventional young New York artist in an integrated show of installations, painting, sculpture, light, sound and movement. Two famous pieces, The Man with a Briefcase and Hammering Man, are included. The latter, juxtaposed against a humane Japanese Goddess of Mercy statue, makes an ironical comment on local culture. Male Aggression and Maidenform Woman parody American pop culture. Tokyo Metropolitan Art Museum, Ueno Park. Ends June 7. Closed Mon.

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THE ARTS

Cinema/Nigel Andrews

An apocalyptic family album

Desert Bloom directed by Eugene Corr
Foreign Body directed by Ronald Neame
Three Men and a Cradle directed by Coline Serreau

"I loved movies, books, Wonder Woman and my grandmother," recalls the heroine (Annabel Gish) in *Desert Bloom*, introducing the story of her teenhood in 1950s Las Vegas. This is not the Las Vegas of "The Strip"—that brash ribbon of gambling dens and gaudy lights which is the town's claim on world fame—but the sleepier, shanty-style community that spreads around it, lapped by the wastes of the Nevada Desert. Eugene Corr's splendid film homes in on one family on the desert's edge and the way they represent an era in microcosm: an era of tragical-comical tensions as America tries to recover from World War Two and to take a step into the nuclear future.

Mum (JoBeth Williams) harassed, patient, still pretty, keeps the house together. The kids try to run all over the place. And stepfather (Jon Voight) is a war veteran with a short fuse and a long list of grievances. He yells at his family; he is yelled back at by his wife, who taunts him with his impotence—"Big war hero, shooting blanks!" And meanwhile he tinkers with home-made radios, as if hoping to tune in to a world more sympathetic to his quirks than his own family.

Into this household, a human powder dump, walks thirtyish Aunt Starr (Ellen Barkin). Starr by name, star by nature, for she was once — and no one is allowed to forget it — "Miss Minnemuka, Nevada." She has a breezy charisma, she dresses with what in Nevada passes for high style, and she is determined to run through most of the male population of Las Vegas before she decides if there is a Mr Right in town.


JoBeth Williams and Jon Voight in "Desert Bloom"

Corr treats their story like a family photo album come malignly to life. Moments which start out posed and elegaic keep twisting into farce or near-disaster. If Voight's stepfather is the volatile nucleus of this family, Barkin's Auntie Starr is the character bombarding him with electrons. She dismays him by being a breath of new America, but she also attracts him. When she and Voight are caught in a moment of flirtation, the row that ensues, involving the whole family (plus a neighbour or two) becomes the film's grimly hilarious centre-piece.

Matching the funny-appalling tensions in this nuclear family are the similar tensions building up in nuclear America. The coming A-bomb tests in the Nevada desert cast their then innocent-seeming shadow across the town's life. There are "Duck and cover" civil defence lessons in school; nuclear jingles on the radio ("Rise and shine, it's A-bomb time"); and a contagious line in trendy local advertising. (Voight renames the petrol station he runs, "Jack's Atomic Gas"). And at the movie's end, it is out with the family picnic hamper, on with the dark glasses, and off into the desert to watch the apocalyptic bloom of the future. Nuclear naivety was alive and well in 1950s America; and *Desert Bloom* has the power to make today's disillusionment gaze in fascinated awe at yesterday's innocence.

★

Peter Sellers had, we thought, had the last word on funny Indian doctors in *The Millionairess*. It is not a joke that bears infinite repetition, but in *Foreign Body* it gets infinite repetition. Victor Banerjee, formerly an unfunny Indian doctor in *A Passage To India*, here plays a penniless immigrant from Calcutta who decides, with no medical qualifications, to set up business in London's Harley Street. A high-wit tale of Jonsonian quackery might have unfolded. But all that unfolds here, like a badly made deck chair, is a wooden imbroglio involving mistimed gags, effortful farce and contributions from large numbers of gainlessly employed British actors.

★

The French comedy *Three Men and a Cradle* deposits a baby at the door of a Paris apartment shared by three devil-may-care bachelors (Andre Dussollier, Roland Giraud, Michel Boujenah) and requies them, in default of any more immediate solution, to look after it. After the initial shock, and the early tribulations of learning to change nappies and heat milk, they come to love and care for the little perisher. They are even upset when its mother finally comes along to remove it.

The audience is less upset. The film's first half hour is funny, cautionary and full of character. Thereafter the heat rather goes out of the proceedings. But the film has appealed to America sufficiently to stimulate a Hollywood re-make which is already in the pipeline.

★

SpaceCamp directed by Harry Winer
Best Shot directed by David Anspaugh

Even without the benefit of a plot the background of *SpaceCamp* would seem like an elaborate fantasy to young British audiences. But the setting, a simulated space base where children learn to pilot realistic space ships, experience weightlessness and bounce around in space suits, really exists in Alabama. Not so much a case of *per ardua ad astra* as parents who can afford to pay for this elaborate educational holiday.

When a friendly robot presses the wrong buttons a group of children (headed by Lea Thomson of *Back To The Future*) find themselves launched into orbit in an inadequately prepared craft. The technology is there but it is not yet connected properly, so it is down to good old-fashioned resourcefulness to save the day and bring them safely back to earth

The Fifties get a traditional treatment in *Best Shot* where underdogs in small town America strive to make a success of the local high school basket ball team. Director David Anspaugh has created a nostalgic world of soft autumnal days and permanent blue skies and made the most of an excellent cast. Gene Hackman plays the coach with a secret past, Dennis Hopper the alcoholic ex-basketball star, and Barbara Hershey is their chief opponent, a teacher who does not want her one academically promising pupil side-tracked by his sporting skills.

More than enough material for a story about the powers of determination and the desperation that can spring from the need to be somebody, the film is flawed only by too many distracting sub-plots—unnecessary seasoning for strong, simple ingredients.

Ann Totterdell

Werther/Covent Garden

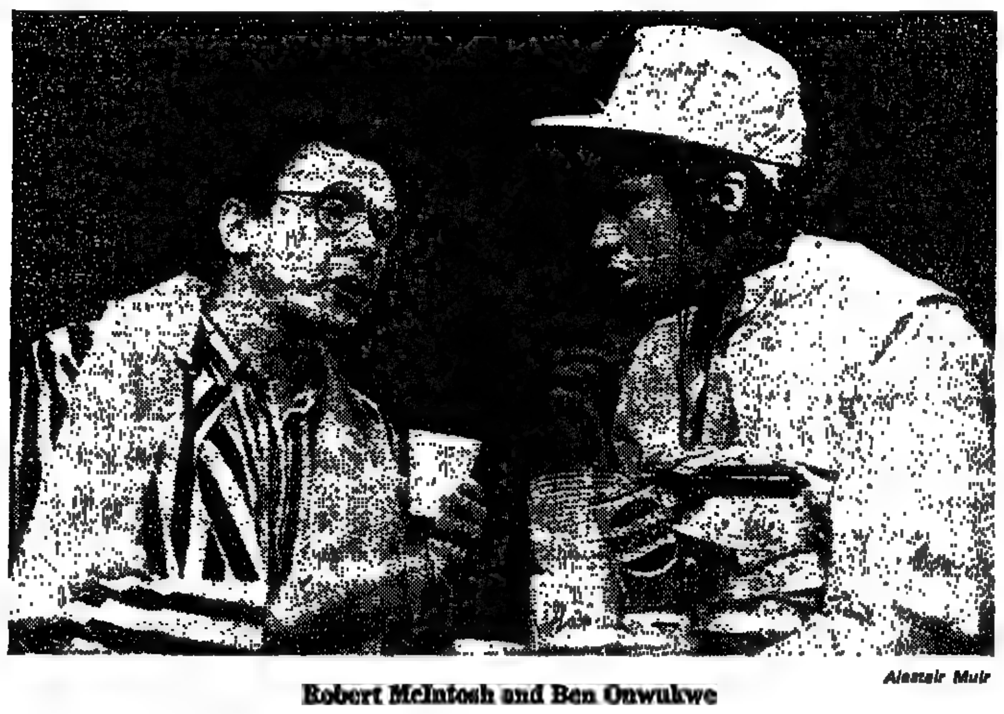
Max Loppert

A tepid Massenet revival at Covent Garden on Wednesday. The cast and conductor, mostly new to their duties here, showed sincerity, a general emotional involvement; the main roles were taken by young, good-looking people who carried their costumes with a certain aplomb; the show had at least been decently prepared. But it was a notably untutored performance. In this opera Massenet reached perhaps the peak of his intimate, conversational style—and reached, too, the point where that style most closely approaches operatic tragedy—but almost all the delicacies and niceties of delivery necessary to any revelation of the substance below the surface were missing.

Michael Schonwandt, the young Danish conductor, seemed to approach the score as if it were Puccini-*manqué*. Climaxes, even those of the mainly quiet-tempered first act, were overheated, whereas the long passages of limpid flow—in which word-setting, vocal shape and instrumental accompaniment are finely conjoined, and on which so much of the dramatic matter is carried—were brusquely or else uncertainly handled. In Act 3, where the opera most robustly survives such treatment, the performance developed a certain superficial excitement; but to anyone who loves the whole of this opera, it was rather a sad evening.

It would help if (apart from David Wilson-Johnson and Stafford Dean in minor roles) anyone in the cast had more than a vague idea of how to project and communicate in the French language. The most serious failure in this respect was demonstrated by the Charlotte of Agnes Baltsa, by and large a distressing miscast in this role of unemphatic exchanges and slowly-built inner fires—the angular non-legato phrasing and jerky register gear-changes proved often painful to hear. But Linda Kitchen (Sophie) and William Shimell, disappointingly strenuous and pushed-sounding as Albert, have in their less important ways much to learn about Massenet singing. Words, words, and words again: how much they *matter* in French opera!

There remains Francisco Araiza, taking here his first romantic tenor role in London. There is promise in his Werther: the voice seemed a shade small for the house, and the top was sometimes a trifle unfocused, but it was never forced, and there were passages of liquidly tender half-voice — "Pourquoi trembler devant la mort?", the first phrases of the Ossian strophes —that contained real poetry. But the general shortage of specificity, of vividly meaningful purchase on the words, is a charge that has to be repeated even against him. Last night's *Werther* was not the emptiest sample of International Opera we have had in this theatre, but in its own way it was peculiarly disheartening.


Alastair Muir

Robert McIntosh and Ben Onwukwe

The Pink Briefcase/Lyric Studio, Hammersmith

Michael Coveney

The offices of a municipal local authority are brightened somewhat by the presence of a pink briefcase, or perhaps several of them not to mention the life size foam rubber parrot, three Swedish performance artists and a rampant member of the Victoria Gillick Apostolic Brethren.

There are 20 characters in Michael Birch's sprightly satire for the General Theatre Company, and they are all played by three actors. The above-itemised absurdities are surprisingly well integrated into a plot of corridor machinations and political wheeler-dealing.

The housing department is facing the prospect of local elections and, beyond, a Parliamentary candidate selection process. Councillor Barraclough is pursuing an affair with his true blue bun-scoffing secretary while trying to appear moderate in the local Labour ward and simultaneously working hard to retain radical credibility. The apostolic protestor thinks that housing policy bias towards single parents, gays and gerbil-fanciers will encourage his son to leave home and take up unconventional sex. A slinky Rastafarian seeking a ground floor flat loses his *rag* and declares he is a human time bomb; "You're in the wrong department" is the sweet riposte.

We also have a paranoid lady department head who has reared three hateful yuppie sons and sees closet Conservatives everywhere, a dilapidated curator with an overworked sense of history, and a secretarial health freak. The two main springs to the action are the attempt to replace the councillor with a black, supposed gay, baby-clutching Parliamentary candidate, and the nailing of the culprit who leaked a policy document in the briefcase.

Ingeniously directed by Jude Kelly on a fluorescent black, white and pink street mural setting (designed by Brian Looney), Susie Baxter and Ben Onwukwe re-establish the good name of small-scale political revue, while certain weak punch lines and dead patches are forgotten at the sight of Robert McIntosh's rogues' gallery and his star portrait of the weak-kneed architect and closet blues performer.

The Westwoods/Etcetera Theatre

Martin Hoyle

The eight actors in this 1984 Alan Ayckbourn bagatelle, done at Scarborough but receiving its London premiere above the Oxford Arms pub in Camden High Street—play, as you might guess, two characters. For teenage Tidge, cool young Patricia, calmly maternal Trish and menopausal (and after) Pat are one. Ditto with schoolboy Robert, trendy Rab, married adulterer Robby and rheumatic Bob, stretching in the autumn sunlight.

Or are they? This chronicle of four generations is like an Escher drawing where the eye traces an ascending staircase only to end below the starting point. Characters and plot interweave, seamlessly change and blend. Susceptible Tidge surprises her father and his mistress in the park and flees, trailing the five yards of sash cord she had bought for her suicide. Years later mini-skirted Patricia's park-bench embrace with Robbie is interrupted by his daughter who runs off trailing yards of sash cord . . . And so it goes, the same pattern repeated in each generation as inevitably as the ebb and flow of the waves corrugate the sands.

The first half is devoted to the woman's point of view. The same events are repeated by different actresses, sometimes with identical dialogue, sometimes subtly changed according to character. The men give their version in Act 2; and Ayckbourn confirms that he is that rarity, a British playwright who writes sympathetically for women. Even when ostensibly justifying themselves, Ayckbourn males are crassly obtuse, ludicrously selfish. And, mercifully, very funny.

Against Frazer Taylor's simple design of cartoon scrawls, Vivienne Cozens directs an accomplished cast in a hugely enjoyable entertainment; an appetising *hors d'oeuvre* for the same author's imminent new play at the National. Alison Rose's eager Sixties trendy and Alwyne Taylor (who toiled with the Master in his Scarborough vineyard) as plump placidity stand out, and it must be admitted that the girls have the vocal edge, especially when giving us their Supremes. Another old Scarborough hand, Robert Cotton, reminds us that Ayckbourn returned to song-as-comment in his backstage comedy, *A Chorus of Disapproval*. And Christopher Downing's frustrated schoolboy is beautifully fresh and naive, not least when, wide-eyed and apologetic, he confides "I seduced her" of the older woman. Erroneously.

Le Nozze di Figaro/Cardiff

Rodney Milnes

It is hard to say precisely why a performance as well sung and played as the Welsh National Opera's new *Figaro* should be ultimately so unsatisfying. Problems with Giles Havergal's production are easily pinpointed: it is self-defeatingly hyperactive. Both innumerable supernumeraries and the chorus intrude on the action when they have no business to, dangerously interfering with the communication between the principals and the audience.

The constant movement on stage, the need for people always to be "doing something" —especially in the case of poor Susanna, whose constant animation puts one in mind of the old Rank Charm School and the need to be "vivacious"—soon grows wearisome. From row F the temptatiton to shout "for Heaven's sake stand *still*" was almost irresistible. In among all the bustle the essentials were missing: the warmth and intelligence of Susanna, the resentfulness of Figaro, any sense of confrontation between master and servant.

This can be sorted out by a good staff producer (Mr Havergal's *Figaro*, unlike his *Barber* last year, is at least redeemable), but on Wednesday there was a corresponding restlessness, a sense of being button-holed and shouted at from the pit. While one admired the clearly articulated playing of the orchestra under Sir Charles Mackerras and the clarity and vigour of it all, it was also for the most part extremely loud and not so much fast—though it was — as driven. This encouraged the singers to deliver at a steady *forte* simply in order to be heard, and the result was a bludgeoning *Figaro* sadly lacking the nuance, the purely musical pleasure that one takes for granted in the score.

This was doubly odd in that the elements of "authenticity" in the performance — piano accompanied recitative, appoggiaturas accorded ill with a large orchestra playing at full bat, with Bartolo's "Vendetta" sounding like something out of the Verdi Requiem, and the Wedding March threatening to turn into a March to the Scaffold.

The editon chosen was fascinating—that of the Vienna revival of 1789. This involves the substitution of "Un moto di gioia" (K 579) for "Venite inginocchiatevi," which works well, and of "Al desio" (K 577) for "Deh vieni," which doesn't: it is an exquisite aria but simply lasts too long for this stage of the plot. The Count's aria, in which Mozart restored difficulties he had removed before the premiere, uses a higher tessitura and is more florid: if you have a baritone who can manage it—which the WNO certainly has in Donald Maxwell—then it should be sung since it presumably represents the composer's first and last thoughts. The revised "Dove sono," omitting the repeat of the first section, is less successful.

Apart from Mr Maxwell, in excellent voice and presenting the Count as a dolt who thinks he's rather clever, the cast included Anne Dawson as Susanna (singing exquisitely when she wasn't having to hurtle round the stage like a teetotum), Elaine Woods as the Countess (a fine voice, but curiously strangulated Italian vowels), Robert Hayward as Figaro (nicely phrased, but his dramatic reactions need considerable sharpening), Peter Rose (an outstanding Bartolo), and Catriona Bell as Marcellina (good in her aria, but lacking weight in the middle elsewhere, which is probably Mozart's fault for writing the role for two different voices).

Sue Blane's permanent set and costumes are airily elegant, and practical save only that the closet door in Act 2, which *is* rather important, must be invisible to a good third of the audience. There are the ingredients of an outstanding *Figaro* here: it just needs a little extra work.

Georgian State Dancers/Palladium

Clement Crisp

There are no ambiguities in Georgian folk dance: sexual roles are clearly defined, and so are dance identities. The girls are all extremely pretty, wear flowing floor-length robes and glide about the stage as if on castors. The men are warriors who sport soft boots that enable them to dance on the knuckles of their toes, and they further spin on their knees or crash down from a leap on to their knee-caps. Swords and daggers are brandished as their feet skitter through the fastest imaginable steppings: it is macho enough to make Popeye seem slightly effeminate.

The permutations possible with such ingredients are not many. The Georgian State Dance Company, now installed at the Palladium, rings all the changes in an evening of slick and cleverly staged numbers that give the dance of its people a high theatrical gloss.

Doe-eyed girls drift through charming patterns; mock combat brings the flash of sparks as sword meets sword in the men's encounters; accordions and drums are a tireless accompaniment. The evening is in no way demanding, but the energy of the ensemble and the uncomplicated nature of the entertainment — for all its professional assurance — bring the rewards to be found in such directly communicative dancing. It is impossible not to respond to the combination of charm and bravura.

Arts Week

Continued from Page 24

Music

LONDON

Royal Philharmonic Orchestra conducted by Nicholas Cleobury with Andrew Wilde, piano. Rossini, Bizet, Rachmaninov and Dvořák. Royal Festival Hall (Mon). (928 3191).

London Symphony Orchestra conducted by Leonard Slatkin with John Lill, piano. Glinka, Prokofiev and Tchaikovsky. Barbican Hall (Tue). (638 8891).

BBC Welsh Symphony Orchestra conducted by James Loughran with Peter Donohoe, piano. Glinka, Prokofiev and Tchaikovsky. Royal Festival Hall (Tue).

London Bach Orchestra directed by Tessa Robbins Khambatta, violin. Bach, Händel, Haydn and Bottesini. Queen Elizabeth Hall (Tue). (928 3191).

Philharmonia Orchestra and Chorus conducted by Riccardo Muti. Beethoven. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra conducted by Enrique Batiz with Julian Lloyd Webber, 'cello. Dukas, Elgar and Tchaikovsky. Royal Festival Hall (Thur).

Academy of St. Martin-in-the-Fields directed by Iona Brown. Mozart, Schoenberg and Tchaikovsky. Queen Elizabeth Hall (Thur).

PARIS

Baroque Music: Gluck's Armide in concert version, Tafelmusik Baroque Orchestra and Ensemble Vocal de la Chapelle Royale – Paris conducted by Alan Curtis with Montserrat Caballe (Mon, Wed) TMP-Chatelet (4233 4444).

Händel's Oratorio Theodora, English version, conducted by Jean-Claude Malgoire with the Tallis Choir (Mon, Thur). Salle Favart-Opéra Comique (4296 0611).

Ensemble Orchestral de Paris conducted by Emmanuel Krivine, Michel Portal, clarinet, Philip Bride, violin solo: Mozart, Haydn (Tue). Salle Pleyel (4561 0630).

Orchestre Colonne conducted by Claudio Scimone, Orchestre Colonnes Choir conducted by Jean Sourisse: Verdi's Four Sacred Pieces (Tue). La Trinité church (4233 7289).

Orchestre de Paris soloists – chamber music by Debussy, Tisne, Schmitt, Caplet (Tue 6.15pm). Salle Pleyel (4561 0630).

Elizabeth Herbin, piano: Schubert, Liszt, Rene Herbin, Beethoven (Wed). Salle Gaveau (4563 2030).

NETHERLANDS

Rotterdam, Doelen. Organ recital by Arie Keijzer: Bach, Franck, Keijzer, Widor (Mon). (414 2911).

SPAIN

Barcelona, Philippe Herreweghe conducting soloists playing original instruments to music by Soler, Cererols and Valls at Salo del Tinell, Plaza del Rey. (Wed).

Madrid, chorus and Orchestra of Barcelona's Festival of Early Music with La Chapelle Royale's conductor Philippe Herreweghe, soprano Monique Zanetti, contralto Eulalia Salbanya, tenor Joan Cabero Masterpieces of Catalonia's baroque music (Tue); Teresa Zylis-Gara (Wed). Teatro Real, Plaza de Oriente.

NEW YORK

Carnegie Hall: Manhattan Philharmonic. Peter Tiboris conducting. Mozart, Brahms (Mon). New York Pops Orchestra, Skitch Henderson conducting, Liz Smith narrator. Mixed programme (Wed). (247 7800).

Juilliard Concerts (IBM Gallery): Chamber Music of Russell Currie. (Wed, 12.30). 56th & Madison.

New York Philharmonic (Avery Fisher Hall): Giuseppe Sinopoli conducting. New York Choral Artists directed by Joseph Flummerfelt and Brooklyn Boys Chorus directed by James McCarthy. Mahler (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting. Rossini, Albert, Tchaikovsky (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting. All-Strauss programme (Tue); Sir Georg Solti conducting, John Sharp, 'cello. Dvořák, Beethoven (Thur). (435 8111).

TOKYO

USSR State Symphony Orchestra with Hiroko Nakamura, piano. Glinka, Tchaikovsky, Shostakovich. Tokyo Bunka Kaikan (Mon). (235 1661).

Kathleen Battle, soprano with Japan Philharmonic Orchestra conducted by Seiji Ozawa. Arias and songs. Hitomi Hall, Showa Women's College, Sangenjaya (Mon). (573 3588).

Das Gewandhaus Orchester Leipzig, conductor: Kurt Masur, Brahms, Beethoven. Suntory Hall, Akasaka (Tue). (505 1010).

Martin Hornstein, cello with Eugen Jakob, piano. Beethoven, Schubert, Brahms, Martinu (Thur). (486 0959).

Saleroom/Antony Thorncroft

Windsor jewel unsold

Greed comes before a fall. The sale of the Duchess of Windsor's jewels in Geneva in April was such an extraordinary success, with Sotheby's estimate of £5m being exceeded six times, that owners of jewels with Windsor connections imagined they were in line for a fortune.

But an ivory, sapphire and diamond clip which the Duke of Windsor gave to his nurse, Oonagh Stanley, in 1972, shortly before his death, was unsold at Sotheby's yesterday at £30,000. Sotheby's had placed an estimate of £3,000-£4,000 on the clip, which was made by Cartier, but the high prices at Geneva encouraged the vendor to raise the reserve: and she raised it above the market's desires.

In the same jewel auction Sotheby's sold a collection of Giuliano, Castellani and Revivalist jewellery from the late 19th century. A gold, seed pearl, and cornelian bracelet, by Castellani, of around 1865, did well at £17,050.

Sotheby's had a very encouraging sale of post-war and contemporary art by European artists on Wednesday afternoon, which totalled £847,620 with 7.8 per cent unsold, a very low figure. While Americans are prepared to pay high prices for contemporary art there has been some hesitancy on this side of the Atlantic. Many dealers are scared of allowing their artists into the salerooms—unsold paintings would hurt their reputation.

Top price was the £50,600 paid by a private collector for Alexander Calder's "Twisting form," an abstract oil which carried a top estmate of £12,000. "Untitled," painted in 1958 by Asger Jorn, went to the dealers Star Diamond for £40,700 and "Grin" by the same artist just beat its upper forecast at £34,100. "Pierre de Craon," a 1958 work by George Mathieu, doubled its estimate at £29,700.

At Phillips a tinplate clockwork bus, made by Bing around 1911, trebled its estimate at £9,350, just short of the record for a Bing toy. The sale did very well, with even a 1960's Dalek (in its original box) making £71.

★

The Arts Minister, Mr Richard Luce, has put a six month export stop on the version of Van Gogh's "Sunflowers" which Christie's sold in March for £24.75m. However this is little more than a gesture. The chances of any British institution being able to raise £25,087,500 (the current market value placed on the painting) are negligible. The Minister acknowledges the fact by stating that if no serious effort has been made in the next six weeks it will go to its new home in Japan.

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Friday May 22 1987

Asset prices and inflation

IS INFLATION set to become a serious problem again in the developed countries? The sharp recent fall in US bond prices points to growing concern on the part of investors, while Mr Paul Volcker at the Federal Reserve has openly expressed worries about the implication for domestic prices of the fall in the value of the dollar.

In Britain, meantime, the Bank of England has had a mild attack of nerves over buoyant money supply figures in April. It feels that soaring asset prices, especially in the housing market, together with strong consumer spending backed by readily available credit, are building up problems for the future.

It is, of course, the job of central bankers to worry about these things. And in the case of particular countries and markets, their concern may have some justification. Yet it is hard to make a case that inflation is threatening to become a global problem, as in the early 1970s. The world is admittedly awash with liquidity; but commodity prices are still weak in terms of most currencies other than the dollar and economic activity is slack. Even in Britain, which is now at the top of the OECD growth league, the latest official figures point to relatively flat capital investment.

Dismal reflection

This suggests that inflation is a localised phenomenon, which will tend to be associated with currency weakness or sectoral bottlenecks. In other words the impact of devaluation on imports costs and the turnround in the oil market are legitimate causes of concern for the US authorities, but no reason for them to throttle economic growth in the name of monetary probity.

Similarly, it is a rather dismal reflection on Mrs Thatcher's record that inflation now appears to be running at a higher level than when the Tories returned to power in 1983 and at a higher level than in Britain's main competitor countries in Europe. But the problems remains distinctively British. Despite its exhortations to private sector employers to hold the line on pay, the Government itself has conceded fat settlements in its own public sector back yard with obvious inflationary consequences. And house price inflation remains one of Britain's more virulent diseases.

If there is a recent historical parallel it is with the second half of the 1970s. But whereas the build-up in liquidity at that time in the hands of the oil producers round its way, via the banking system, to Third World debtors, the present accumulation of savings in Japan and West Germany is being recycled to home buyers and consumers in the developed world. The real question is not so much whether inflation is about to take off as whether this new recycling process will be followed by another debt crisis of a different kind.

Warning signals

The evidence so far suggests that there is no cause for panic. And if a whole raft of statistics on the financial behaviour of the British personal sector in the Bank of England's May Bulletin is any guide, the problem is more social than economic. The ostensibly worrying side of the coin is that mortgage debt now represents a higher percentage of the value of the housing stock than at any time in the past 20 years and that the ratio of personal liabilities to disposable assets has risen faster than the same ratio for personal assets since Mrs Thatcher came to power. Yet the rise in net wealth has been significant. And taken in the aggregate the figures are exactly what might be expected in a period of booming share and house prices, financial deregulation and wider home ownership.

The problem, as the Bulletin rightly points out, is that the people building up the debt are, in general, unlikely to be the same as those who are stocking up assets. Inland Revenue surveys suggest that the younger and poorer households face the highest debt service ratios. And the warning signals are there for all to see: seven times more houses ewere repossessed in 1985 than in 1979; around 2½ per cent of all outstanding mortgages were three months in arrears in 1985, although the figure has since fallen a little.

In most western countries there is a case for more government effort to educate the public in the high costs of borrowing in deregulated financial markets. And in Britain there is a need for a far greater assault on restrictions in the land and housing markets than any party has been prepared to offer in the election manifestos.

New manoeuvres in the chips war

PROPOSALS FOR some sort of international agreement to regulate trade in semiconductors have surfaced in Tokyo as Japan's answer to a still unresolved dispute between itself and the US.

Details of the Japanese plan are not yet clear: although a worldwide price floor for microchips is one option being suggested. But even without the details, and even assuming the Americans accepted the plan, it is safe to predict that this "solution" to what started as complaint of dumping by Japanese companies will be no more successful than the bilateral pact so painfully and mistakenly concluded last September.

A multilateral restraint of trade may look rather better than a bilateral one that so obviously flouts a cardinal tenet of the General Agreement on Tariffs and Trade. It might also look better, at least to the Japanese authorities, insofar as its purpose is to plug the holes in a pact that has proved as leaky as predicted.

Japan's real motive in drawing up such proposals—apparently a reworking of ideas already rejected by the US trade representative—is to get rid of the 100 per cent tariffs imposed by the US last month on imports on a range of electronic consumer goods. That retaliatory action was calculated to stiffen Japan's commitments to monitor chip prices and open its market to American manufacturers, without provoking a full-scale trade war. Tokyo reportedly hopes to get the tariffs lifted before next month's economic summit in Venice.

Extreme solution

For the sake of a diplomatic solution to developments in the semiconductor business the Japanese seem to be proposing to add an important industrial commodity to the list of manufactures—steel, textiles, passenger cars among them—whose markets have become increasingly managed over the years.

There is no obvious justification for adopting so extreme a solution as managing the microchip market: the problem has as much to do with the fragmented nature of the American semiconductor industry as with the capacity of Japanese companies—and other Asian companies after them—to sell chips very cheaply.

The history of the Multifibre Arrangement, which by special dispensation of the General Agreement controls most of world trade in clothing and textiles, should be a warning lesson. First devised in 1974, the MFA was supposed to give mills and factories in the industrialised world a breathing space in which to adjust to price competition from poor Asian countries. The MFA is still with us, 13 years later, thoroughly institutionalised and thoroughly restrictive, with another four years at least to run.

Bad precedent

If nothing else, that arrangement illustrates the simple truth that schemes for managing markets are easy to introduce, but extremely difficult to remove. An administrative "solution" to the chip-pricing problem, however many countries concurred and however effective in practice, could set a bad precedent, preventing the diffusion of the great inventions of the future.

There is another sense in which a bad precedent is being set. The spectacle of two large trading nations conniving in a protectionist scheme just at the moment when the Gatt is beginning its Uruguay Round of trade-liberalising negotiations does not inspire much confidence in the rest that real results are achieveable. At the formal launch of these negotiations, all Gatt members in any case undertook not to erect new trade barriers. Furthermore, the US Administration has all along declared that trade in high technology products is one of the most important areas for the General Agreement to consider.

The failure of the US-Japan semiconductor agreement has been dealt with by means of retaliatory tariffs. Now it is suggested the tariffs be dealt with by means of some kind of worldwide market-sharing arrangement. Each step seems to be taking us further and further from a sensible solution.

UK DOMESTIC APPLIANCE INDUSTRY

Dilemmas of the final cycle

By Christopher Parkes, Consumer Industries Editor

THE SHAKE-UP in the British domestic appliance industry is entering its final cycle. Since the turn of the year two of the country's leading manufacturers have given up the ghost. Thorn EMI's white goods business has been sold to Electrolux of Sweden, the world's biggest appliance company, and TI Group's Creda and New World divisions are on the block.

All eyes are now on Hotpoint, the GEC subsidiary, which is the leader in the washing machine and dishwasher markets of the UK. The City believes the natural home for the TI brands is with Hotpoint. Mr Jeoff Samson, managing director, says he is interested and hints that the only stumbling block could be the price. "Opportunities such as this must be matched by realism of price," he says.

Mr Christopher Lewinton, TI's new managing director, is understood to want as much as £200m for the business, which would give Hotpoint market leadership in cooking appliances and further strengthen its interests in laundry and refrigeration.

With or without the TI business, Hotpoint is the only indigenous, full-range appliance company of substance in the UK. It is also the only one with any real prospect of being a force beyond its national boundaries. But to become an international force, it wil have to reckon with the growth-by-takeover giants: Electrolux, Whirlpool Corporation of the US and Philips of the Netherlands.

A deal with TI would put the GEC business in a position comparable with that of Whirlpool, the leading US manufacturer since its purchase of KitchenAid last year.

The US domestic appliance industry, which has seen the number of prominent manufacturers shrink from about 100 to just four over the past few years, provides the model for the consolidation process now going on in the UK. Whirlpool, General Electric, Maytag and White Consolidated have absorbed most of the smaller players or driven them into regional or specialist markets. The process took another turn last year when White Consolidated was itself taken over by Electrolux.

Mr Dave Whitwam, president elect of Whirlpool, says: "Who knows, in a few more years there may be just one big name." Mr Jack Sparks, retiring president, has considered the possibilities and acted.

Whirlpool has recently been listed on the London Stock Exchange. Later this summer, the group's products are expected to make their debut in Europe, through a joint venture being negotiated with Philips.

For Philips, the negotiations indicate that despite its heavy concentration on electronics—appliances account for only about 10 per cent of its annual sales—it intends to reinforce its white goods business, the better to compete with arch-rival Electrolux in world markets.

At Whirlpool, a successful deal is seen first as a way of penetrating the complex European market, and ultimately as a life-saver.

Secure as it may seem in its home market, Whirlpool has learnt from the rationalisation which has taken place in the US. "To develop a fortress mentally means you have taken a death wish," says Mr Sparks.

So, Whirlpool is spreading its wings and venturing into Europe, even though the market is over-supplied and restructuring on the Continent still has a long way to go. There remain about 300 manufacturers battling for market share, despite the relentless takeover tactics of Electrolux and Philips.

Rationalisation would probably be accelerated by the entry of Whirlpool, with its prime range of products and redoubtable marketing skills in combination with the power of Philips. Marketing and good products are the main qualities which have enabled the market leaders in Europe to fend off, and ultimately absorb many of the Italian manufacturers whose goods swept across the Continent in the 1960s, winning on price alone.

Indesit, once a mighty force, is in dire straits. Its former advantages of scale were eroded by overmanning, lack of innovation and rising transport costs. Zanussi, once its nearest challenger, has been taken over by Electrolux.

Further restructuring similar to that in the US seems inevitable. Most European markets are saturated, growing by between one and three per cent a year and dependent on replacement sales.

The pattern is clear. Electrolux now controls about 25 per cent of the European market, Philips has 13 per cent, Bosch-Siemens of West Germany 12.5 epr cent, AEG, another West German company, 8 per cent, Thomson Brandt and Indesit 6 per cent each and the 300 smaller firms, Hotpoint among them, scrabble for the remaining 29.5 per cent. Most of these are restricted to niche markets.

However, Hotpoint has the potential to join the big league. A recent study from the London Business School highlights the company as one of the most consistently profitable appliance makers in Europe. Alone among British manufacturers, it has advanced on all fronts in the face of increasing imports. It has chiselled out a 33 per cent share of the washing machine market—up from 25 per cent three years ago—and claims 30 per cent of tumble driers, almost 20 per cent in dishwashers and holds a strong position in refrigeration.

This autumn it takes a crucial step when it starts manufacturing dishwashers at its Llandudno factory in North Wales. Production under licence from Bosch Siemens, which now supplies all Hotpoint dishwashers, will lead to the rapid phasing out of the German imports, according to Mr Sampson.

Perhaps the most striking feature of Hotpoint's advance has been its refusal to ride the price-cutting helter skelter. It has improved its position through deft marketing, backed by heavy advertising. The company is admired for its distribution and service through a network of about 1,000 Hotpoint centres and specialists. It deals even-handedly with retailers and avoids special deals for favoured customers, quantity discounts and forward contracts, taking orders for one month ahead at most.

Manufacturing is kept on a tight rein and the company runs a short order book. Stock, averaging 1.5 times orders, are turned over eight times a year. A Samson dictum is "Production will do as it is told. Marketing comes first."

This approach has helped Hotpoint to build market share in all appliances and to come from nowhere in the booming market for combined washer-driers to steal leadership from Italian makers in less than five years.

However, although it is strong in its home market and sterling favours exports at present, the company hesitates to venture in force across the Channel.

"Exporting is fine if your products do not require service," Mr Samson says. Establishment of, or access to a service network is a prerequisite for moving overseas. The Whirlpool tactics in establishing a joint venture with Philips support his view.

Mr Samson points out that the cost of setting up distribution and service facilities from scratch would erode any currency advantages which sterling may offer. Virtually unknown outside the UK, the brand would have to be launched from a standing start in a market where saturation, price competition and over-capacity are at least as severe as in the UK.

Still, Mr Samson has ambitions. "We cannot go on simply maintaining our position in a niche. We should look to international business. But exporting appliances is not the real answer." His thinking has much in common with the Whirlpool strategy.

"We can, though, export a lot of business . . . perhaps through some sort of integration with an overseas manufacturer which will give us commonality of piece, part and design work," he suggests.

There are other ways. Ambitious manufacturers in Britain could consider adopting the tactics of the once-dominant Italian names and produce appliances for badging with well known continental brand names.

Sterling's relative weakness against European currencies and the comparative cheapness of UK labour reinforce the potential advantages for exporting under brand names other than Hotpoint. This was the route Zanussi, for example, took when it broke into the UK—first providing machines under British names and later switching to its own label.

Although the potential for making a grand entrance into Europe is limited, it is possible that Hotpoint could follow the takeover tactics of Philips and Electrolux.

History, however, is not encouraging. GEC bought a French appliance maker over a decade ago, but it failed to provide the hoped-for bridgehead. While there are still plenty of viable names which could serve as a toe-hold for the British company in cross-Channel markets, the moment for such tactics may have passed.

Electrolux is rapidly rationalising its sprawling empire and realising considerable economies of scale. Philips is gaining extra muscle through its transatlantic link-up. The continent is no place for innocents abroad

To Hotpoint, the TI auction offers a clear and immediate advantage: it provides a means of filling the only gap in its range by offering instant market leadership in free-standing cookers, one of the British market's most import-resistant and profitable sectors. The Creda and New World brands are among the best known in the business.

In the US, the big four all offer a full product range, control the leading brands and are steadily increasing pressure on the remaining independents.

With a $1bn (£595m) capital investment programme under way at General Electric, Electrolux promising to slash costs at White Consolidated by $100m a year and Whirlpool going for scale economies by concentrating manufacture in a handful of giant factories, they could become even more competitive.

The same could be true for Hotpoint in its home market. However, the way is far from clear.

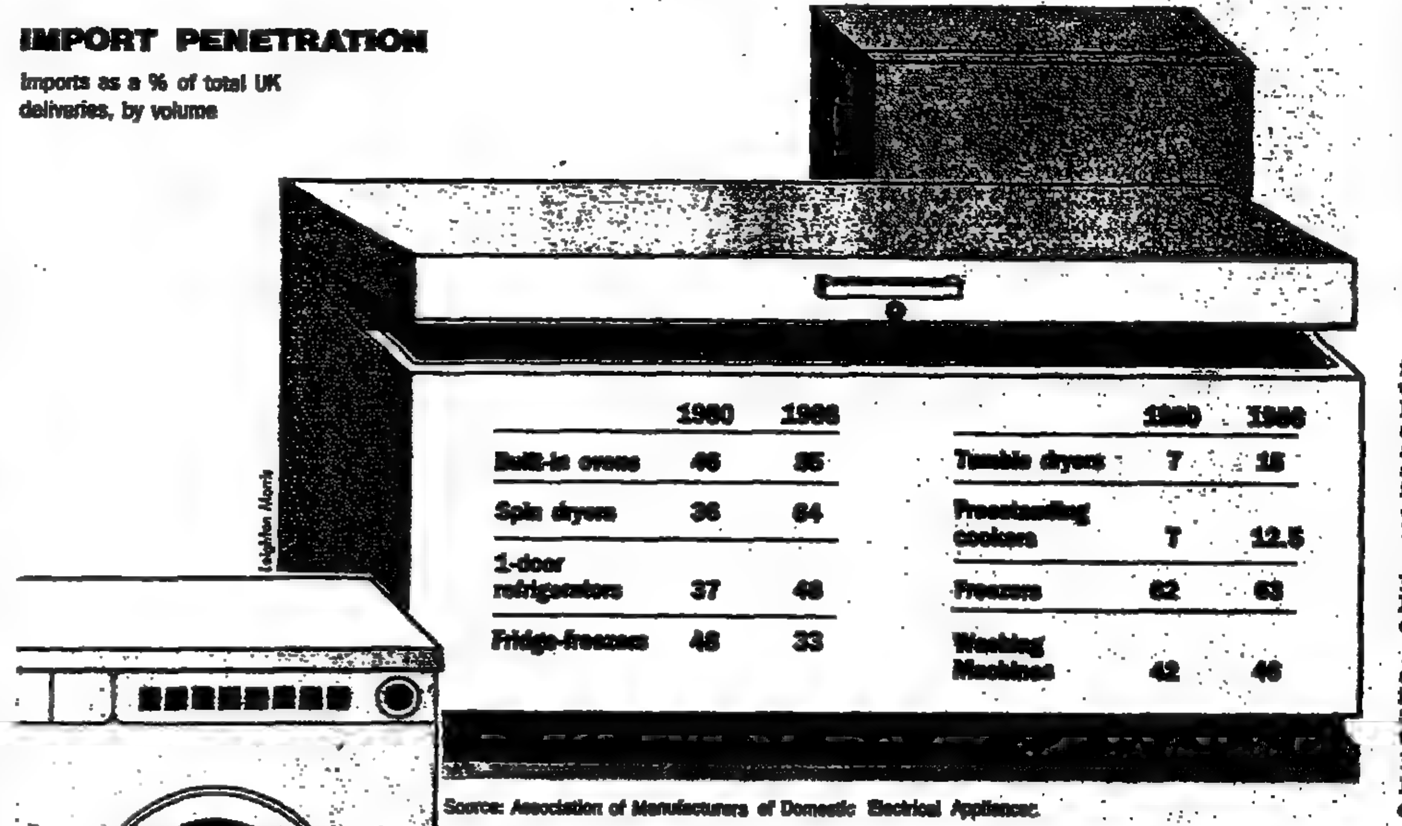
Japanese companies (already dominant in microwave ovens) including Toshiba, Hitachi and Sharp, are known to be keen to enter the mainstream European appliance industry. Mr Alan Sugar, the Amstrad computer and audio entrepreneur, has also said that he intends to expand into the British appliance trade.

Whatever the outcome of the TI sell-off, Hotpoint will probably be faced with the choice of either trying to defend a UK market fortress (fatal, according to the Whirlpool ethos), venturing overseas, or selling up and adding to GEC's cash mountain.

There has been speculation enough in the past that managing director Lord Weinstock feels that high-tech GEC has no business in the kitchen. But, as one stockbroker points out, none of Hotpoint's recent requests for investment—in new cooker capacity for its Cannon brand, in the Welsh dishwasher operation, in expansion of the refrigerator business—has been refused. "It must be difficult to say no to a division which has shown compound growth of 27 per cent since 1982," he says.

IMPORT PENETRATION

Imports as a % of total UK deliveries, by volume



	1980	1986
Built-in ovens	46	55
Spin dryers	36	64
1-door refrigerators	37	48
Fridge-freezers	45	33
Tumble dryers	7	15
Freestanding cookers	7	12.5
Freezers	62	63
Washing Machines	42	46

Source: Association of Manufacturers of Domestic Electrical Appliances

Leighton Morris

Men and Matters

Right wheel in Malta

Within a week of a Nationalist government replacing the long-in-place Labour administration in Malta after a close-fought election the island, my man there reports, is buzzing with stories that it will join the European Community.

The scenario being vividly discussed under the warm Mediterranean sun is that the Community members, including Britain, are perparing the way for Malta to be admitted to underpin a successful first five-year term for the new nationalist prime minister, Dr Eddie Fenech Adami.

In his first week Fenech Adami has nailed his pro-western Christian Democrat colours to the mast. He is insisting that western Europe provides the George Cross island exclusively with necessary military defence arangements — which is bad news for the island's north African neighbour, Colonel Gadaffi of Libya.

Indeed Gadaffi and the new Maltese leader seem to have got off on the wrong foot. The Libyan minister for trade left his Maltese counterpart, John Dalli, cooling his heels at Malta's Luqa airport the other day when Dalli arived for a first meeting.

Fenech Adami has also quickly abandoned on behalf of the state a defence to a court appeal filed by the island's Roman Catholic church after the previous government had grabbed some of its properties.

Now aides of Fenech Adami are saying they hope the Pope will include Malta in one of his future trips. One of the new premier's first acts was to send the pontiff a birthday telegram. And the bishops on Malta have had their previous permit to visit prisons renewed.

President Reagan, who viewed the old Maltese Labour government with distrust because of its Libyan ties, is believed to have had a hand in convincing the United Nations this week to set up an institute for the elderly on the island.

Reagan is also sending a senior aide for talks in Valletta with Fenech Adami—who must by now sincerely believe the dictum that a week is a long time in politics.

Well covered

The insurance industry in Guernsey is having fun by issuing a mock Lloyd's of London underwriting slip in respect of a Gallo-Roman ship that caught fire and sank off the island about 1,700 years ago.

The remarkably well-preserved wreck of the 65-foot-long vessel, which has been nicknamed Asterix, was discovered in St Peter Port harbour in 1982 by a diver, and raised three years later under the direction of the marine archaeologist Dr Margaret Rule.

Now the Guernsey Maritime Trust, which was set up to look after the Asterix, is trying to raise funds to complete the restoration work, and eventually to reconstruct the remains of the ship and put it on public display.

Lloyd's chairman, Peter Miller, who has a home on Sark and frequently flies to Guernsey in his private plane, has not only signed up personally as a member of the Maritime Trust, but has also given his blessing to the fund-raising wheeze dreamed up by Ian Daish, general manager of Transglobe Underwriting Management (Guernsey).

The Lloyd's underwriting slip, which is to be offered to the 150 or so Guernsey-based insurance companies over the next few weeks, states that the policy period is "unlimited from circa AD 180 (local standard time)," and that it is being placed with the local insurance industry, "in recognition of Asterix representing the earliest identifiable marine insurance loss (and salvage)."

The initial target is £25,000. But the slip makes clear that there will be "no signing down in the event of oversubscription."

Nearly 200 Lloyd's "names" live in Guernsey and there is a plan to tap them too.

". . . and try not to say anything that we might regret in four years' time"

Star quality

The Bank of England has put to rest any lingering suspicion that it remains an archaic organisation locked in the 18th century.

It has produced a stylish new film about its role in the 1980s, lasting 30 minutes, which will be shown to the thousands of visitors who are escorted around the Bank each year.

The film was made by Holmes Productions, a company chosen because of the flair it showed in the production of the television satire Who Dares Wins, and because of a track record in translating the complicated into the easily understood.

It was the latter consideration which also prompted the bank to choose Brian Walden, the political columnist and former presenter of Weekend World, as commentator.

The result is a film which combines scenes of the Bank's traditional role as a printer of banknotes, and guardian of the Treasury's (and lots of the other peoples') gold, with a useful layman's guide to its more complex operations in the London's financial markets.

The Bank has also been brave enough to touch on some of the more sensitive issues—above all its role as adviser to (rather than equal to) the Treasury. Former Chancellor Denis Healey is given the chance to say that, in his day at least, it was he and not the Bank who made the key decisions on policy.

Sir Peter Middleton, the Permanent Secretary to the Treasury, graciously concedes that the view of Bank officials sometimes prevails over that of Whitehall mandarins—with the proviso of course that ministers can overrule both camps.

Rogue lettuce

A City of London analyst, ever alert, thinks he has discovered indicators of a new grouping in the stores sector.

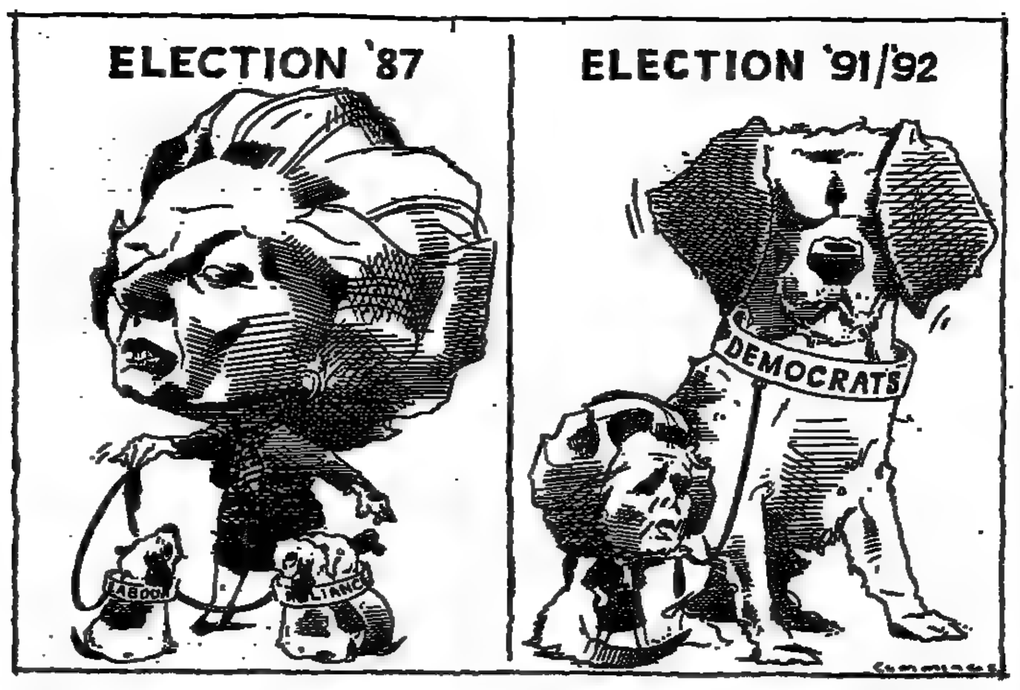
In Harrods' vegetables department he found a lettuce wrapped with a Tesco covering.

Observer

Politics Today

Why the Democratic dog must have its day

By Malcolm Rutherford



THE BEST result of the British general election would be a Conservative victory with an increased share of the popular vote, but a reduced majority in the House of Commons.

Once the election is out of the way, the best follow-up would be for the opposition parties to come together and form a single grouping which, for the sake of simplicity, might just as well be called the Democrats. The new body could then be in a position effectively to challenge the Tories next time.

There are two questions here. One is whether such a development is desirable. The other is whether it is likely.

A third Tory victory is desirable because it would help to seal a fundamental change that has been taking place in British politics over the last decade or so. It is the move away from irresponsible public expenditure and excessive trade union power and towards a new common ground shared by all the main political parties. This is that Britain must be competitive, must pay its way and must reverse its relative economic decline.

The country needs an assured parliamentary majority to have a chance of doing so. To throw out the Tories now would be to risk an interruption in a process of change that is not yet complete.

Neither of the opposition groupings are yet ready to govern. The Labour Party, for all the moderation shown in its manifesto this week, has yet to demonstrate that it has put all its internal quarrels behind it. And if it were to win the election, it is most unlikely that it would do so with anything but the barest of majorities. There would be a period of great political uncertainty as the country waited for the next election, probably in 1988.

The Alliance does not really even aspire to win the election outright. If by any chance it did, it is not enough to say that it has put forward a set of policies with which it would be perfectly easy to live. All the old problems about who runs the Alliance, and indeed what it is, would re-emerge. With a few notable exceptions, it would form an amateur government, composed of some very strange bed fellows.

There are those who say, especially in the Alliance, that the best way forward is, therefore, a hung or a balanced parliament. Labour advocates of tactical voting seem to be saying much the same thing. Yet that amounts to believing that any outcome is preferable to having Mrs Thatcher back, which is a pretty sweeping statement. It is entirely unpredictable how a hung parliament would work. That might have its charm, but it is doubtful whether the British economy is yet strong enough to bear the uncertainty. Again, another election would be almost bound to follow next year.

Now for the Tories. The reason why it is desirable that they should win an increased percentage share of the vote is that that would undermine the argument that they are a minority government. The argument has its force: they won around 42 per cent last time and a huge parliamentary majority. Yet if they were to go above 45 per cent next month, the case that the electoral system is manifestly

unfair would begin to fall away.

At the same time, however, it would be undesirable for the Tories to win yet more seats. That was part of the trouble in 1983. The House of Commons became full of redundant Tory MPs. There were so many of them that there was very little effective opposition.

The process was demoralising not only for the Labour and Alliance parties, but also for those Tory MPs who had nothing much to do. It was bad for parliament because it ceased to be a contest. If it happens again, the under-employed members should be at least set a task, or perhaps they should set it for themselves: drafting a package of constitutional reform, for instance, for the parliament and institutions of the 1990s.

An outcome where the Tory share of the vote goes up and the Tory majority in the House of Commons goes down is technically quite feasible and may even come about. It would make for a better House of Commons.

We come now to the most important part of the argument: the effect of such a Tory victory on the opposition parties and the next stages of political realignment. If Mrs Thatcher does win again quite easily, it must become clear that the Tories have a prospect of going on winning indefinitely until there is a united opposition.

The best way forward, I suggest, is not through proportional representation, but for some sort of broad merger of the anti-Conservative forces.

For a start, in the sort of parliament that we are envisaging after June 11, proportional representation is exceedingly unlikely to be introduced. Most of the Tories would oppose it and, under pressure from the Whips, some of those who hanker after it would probably toe the party line. The majority of the Labour Party would oppose it as well. So it is not on a likely political agenda.

It is also unnecessary. For it has never been self-evident that two broad strands of political opinion cannot be contained within what is essentially a two-party system.

Big political parties are themselves coalitions representing an extraordinarily wide range of views. That goes for the Democrats and the Republicans in the US and for the Conservative and Labour parties in Britain. What has gone wrong in British politics is that the natural coalition of anti-Conservative forces has failed to materialise.

The party manifestos published this week illustrate the point. The most striking feature is the way that both Labour and the Alliance are trying to catch up with some of Mrs Thatcher's reforms: the right to buy a council house, for instance, has become part of the conventional wisdom, yet used to be anathema to Labour. But the other feature is that there is almost nothing in the Alliance manifesto that is not, or could not be, in either the Tory or the Labour equivalent. (Nuclear defence is perhaps the most notable exception, though even there Labour has trimmed its unilateralist policy of last autumn.)

Now it is possible to argue that the Alliance therefore represents the middle course, combining the best of the Labour social conscience with the best of Mrs Thatcher's free enterprise. Yet the facts remain that the Labour Party does not go away and that the Tories go on winning.

The conclusion that I draw from that is that both Labour and the Alliance will have to swallow their pride and form a broad democratic grouping. It could be called the Labour Alliance, the Democratic Alliance or, best of all, just the Democrats or the Democratic Party.

It will be exceedingly difficult to do, not least because of the personalities involved and because each of the opposition parties has its own constitution. Yet it can be done. The alternative is to go on losing.

Mr Neil Kinnock already faces an agonising Labour Party Conference this autumn, unless he turns out to do spectacularly

well in the last few weeks of the election campaign. He will be attacked by the left for not being socialist enough and for producing a manifesto that bears only the faintest relationship to some past conference resolutions. Yet he will have very little choice but to fight back. Indeed it is largely in standing up to the far left that he has made his name as leader. This is a process that will have to continue unless Labour is to be reduced to a militant sideshow.

There is one element that should help him. After a third Labour defeat in a row, the trade unions will almost certainly further disengage themselves from politics. That should make it easier for him to seek to change the constitution, drop the block vote and allow members to vote individually.

The Alliance will also have its problems after the election. It is sometimes assumed now that it is almost a single party. It is not. After June 11 all the old questions about whether there should be a formal merger will resurface. That, too, would involve rewriting constitutions.

Thus, if the Tories win the election easily, both Labour and the Alliance will be engaged in fundamentally reassessing their future. The question is whether anyone will have the courage and the vision to say: "Let us get together as the only way of replacing the Government." It would mean that the Alliance would have to shed some of its closeet Tory supporters and a section of the far left of the Labour Party would be almost bound to peel off — to become perhaps like the French Communist Party. But it may be the only means of establishing a broad-based opposition capable of winning next time.

It is not as if there is nothing to attack in the Tory manifesto, or indeed in the whole Tory record. The absence of constitutional reform, the illiberalism on race, the threat of censorship of broadcasting, the growing strand of authoritarianism and centralisation in the approach are all wide open to criticism. But so long as the opposition is divided, the attacks fall short of the mark.

Lombard

The same old health service

By Joe Rogaly

THE OPINION polls tell us that the National Health Service is an important election issue, but the politicians know that it is a simple auction. For the NHS is one of those peculiarly British institutions that is untouchable by any democratically-elected government. Not even the free-market stand-on-your-own-two feet Tories of today have felt able to come forward with a programme of fundamental reform. There is no talk in the Conservative manifesto of phasing out the NHS and phasing in private medicine. There is not even a glimmer of a proposal to devolve management of the service to locally elected bodies (perish the thought); nor is there any hint that a state-run insurance system, with bills paid by patients who then reclaim the money, might work better.

That would be too radical. The Tories prefer to boast that they have spent more on the NHS, in real terms, than any previous government. They plan to go on spending: on reducing waiting lists, for example, or, in the case of hospitals, on "the biggest building programme ever." Labour is imprecise about money, but it, too, promises to reduce waiting lists. More than that, its NHS would be a "high quality service," untainted by private beds (although not absolutely immediately). The Alliance would step up the Tory budget every year until, by 1992, its expenditure would be £1bn ahead of what is currently planned.

There is no mystery to any of this. It is all explained in the best book yet written on Britain's health service—Enoch Powell's A New Look at Medicine and Politics, which was first published in 1966. If you want to grasp the essentials of the matter you need read nothing else. For as Mr Powell pointed out, "medical care under the NHS is rendered free to the consumer at the point of consumption." The consequence is obvious: "supply has to be rationed by means other than price." Hold those two basic precepts for a moment. There is a third, and it is even more devastating than the other two. Here it is: "*There is virtually no limit to the amount of medical care an individual is capable of absorbing.*" In short, demand is potentially infinite. It could be for a check-up, or a follow-up, or a heart-and-lung transplant. There will always be new techniques, new treatments, and patients to insist upon having them.

We have therefore so arranged matters that the amount of health care most people get is rationed by the Treasury. Perhaps that is one reason why the British are more or less as healthy as other Europeans, at a generally lower price in terms of the proportion of GNP spent, and at satisfactorily lower rates of pay for doctors and consultants. It is *also* a reason why no Government will ever get it right. "From the point of view of its recipients, Exchequer money is for all practical purposes unlimited," wrote Mr Powell.

Mrs Thatcher's Conservatives have, to their credit, at least made a dent in that one: NHS administrators probably are managing their Treasury ration better nowadays. But to the Government's discredit, they have not spent quite enough, or quite wisely enough, to reduce the time spent on waiting lists for urgent cases to less than a month. There are still far too few surgeons. The diversion of money from London has gone too far too fast. The cash allocated has not been sufficient to support the transition to community care for the elderly. The next government must put these matters right.

Even if it does, the headlines about the NHS being in a "crisis" will continue. This is inevitable, whichever party or parties is in charge. Back to Mr Powell: "One of the most striking features of the National Health Service is the continual, deafening chorus of complaint which rises day and night from every part of it, a chorus only interrupted when someone suggests that a different system altogether might be preferable. . . ." Its practitioners are obliged to knock it, all the time, in order to get more money spent on it. It is a fine old election issue, in which the reality behind the auction will be masked by loud protestations about compassion on the one side, and efficiency on the other.

Letters to the Editor

Maintaining schools

From the President, Royal Institute of British Architects.

Sir,—In his article (May 7) entitled "Schools and their customers" Michael Dixon dismisses the warning of a senior educational official at the Association of County Councils whom he quotes as saying "Parents might choose a school where the buildings are about to fall down. Authorities might have to keep that open and close a school where the buildings have fifty years of useful life." He considers this a somewhat exaggerated foreboding.

Reports, however, reaching this institute suggest that concern about the condition of our educational building stock is well founded. Building failure caused by neglect of routine maintenance is already disrupting classes in many educational authorities and this will lead to a restriction of parental choice if centres of academic excellence continue to be housed in dilapidated buildings which will soon need to be replaced or extensively refurbished.

The latest report published by Her Majesty's Inspectors on the effects of local authority expenditure policies on education draws attention to the consequences of a continued deterioration in the fabric of buildings and points to a significant relation between the quality of work produced by pupils and the appropriateness of the accommodation provided. It states that in nine-tenths of the lessons seen by inspectors the accommodation had an influence on the quality of the pupils' work. The RIBA has sought to alert decision-makers in local and central government to the social and economic value of their property assets which are now being placed at risk through neglect of planned maintenance.

Disruption to classes and the closure of some schools through premature building failure can be avoided if an appropriate share of resources is devoted to building maintenance in the future and if a sustained effort is made to clear the enormous backlog of maintenance which has accrued through the misguided application of financial controls.

L. A. L. Rolland,
66 Portland Place, W.1.

Playing around

From Mr V. Kirby

Sir,—In your survey of Andalucia (May 15) David White asks the question, "Where else has 14 golf courses in 70 miles as there are on the road going west from Malaga?" If he cares to take the road from Fleetwood to Southport in Lancashire he will be able to count 22 golf courses—the distance is 43 miles.

V. Kirby,
Lowther Lodge, Church Road, Lytham, Lancs.

EC code on S Africa

From Mr L. Fulton

Sir,—Mr Mitchell (May 11) accuses the Labour Research Department of giving a "very misleading picture" in our report on the returns of British companies under the EC code of conduct for employment practices in South Africa.

In fact it is Mr Mitchell and the Department of Trade and Industry which he quotes who are misleading. They state that "more than 96 per cent of black employees are paid above the recommended level." This is based on the DTI finding only 3,100 employees are paid below the minimum recommended by the EC. It does not follow that all the remaining employees are paid above this rate. Some companies such as Lonrho and Courtaulds decline to disclose what they pay to over 12,000 employees outside the urban areas. Other companies omit details on pay to female employees. One company, Pritchard Services Group (now part of the Hawley Group), refused to submit a report at all, following its 1985 disclosure that it paid 1,860 employees below the EC minimum rate. Moreover, the DTI report is based on the returns of only 126 companies when there are known to be over 270 British companies operating in South Africa. Mr Mitchell goes on to assert that "more than 90 per cent of companies, however, allow all their South African employees to be represented by an organisation of their choice." This figure includes BTR Dunlop which offered 1,000 employees the "choice" of being sacked in 1985 in a dispute over union recognition. "Choice" is rather limited under a continuing state of emergency, in which an estimated 20,000 people have been detained, many of them trade union members.

Our report concentrated on the few facts presented by the companies and found that at least 3,300 employees are paid below the EC minimum, and that only 80 companies recognised unions at the local level. The declared aim of the code of conduct is "to make a contribution towards abolishing apartheid." Mr Mitchell seems to have missed the point of the code.

Lionel Fulton,
Labour Research Department,
78 Blackfriars Rd, SE1.

Assessing risks in travel

From Mr D. Sawers

Sir,—Dr Landy (May 14) and Mr Farley (May 16) seem to believe that travellers perceive no difference between the risk involved in making a long journey or a short journey. The relative danger of different forms of transport should, they suggest, therefore be measured by deaths per passenger-journey, not deaths per passenger-mile.

The average journey on British Rail is 27 miles; on British airlines it is 1,220 miles. When comparing the accident rate on railways and airlines, your correspondents are therefore inviting us to believe that travellers consider that a journey from London to Maidenhead involves the same risks as a journey from London to Catania, presumably whether the journey to Catania is made by aeroplane or by train.

Such an attitude is irrational because the longer the journey, the longer the exposure to potential hazards, whether they be carts on level crossings or other aeroplanes in the sky. Danger is not limited to getting in and out of a train or the take-off and landing of an aeroplane. Travellers indeed seem to feel more apprehension about a long journey than a short journey, and to worry more about a trip to Catania than a trip to Maidenhead, or down to the local shops.

Travellers want to know how likely they are to reach their destination safely, as your correspondents suggest; but they want this question answered for a journey they are planning to make, and for the alternative methods of making this trip. It is little help to the traveller planning to visit Catania to know that the chance of reaching Maidenhead by train is greater than the chance of reaching Catania by aeroplane; he will want to know how the chance of reaching Catania by train compares with the chance of reaching Catania by aeroplane.

Comparisons of the dangers of different modes of travel based solely on accidents per journey would therefore be unhelpful as well as illogical. The length of the journey influences the risk, and must therefore be a factor in any useful comparisons.

David Sawers,
10, Seaview Avenue, Angmering-on-Sea, Littlehampton, Sussex.

In the fast lane

From Mr D. Bodecott

Sir,—Mr B. Craven (May 19) has not laid this issue to rest and misses the point regarding how travellers assess risk at the end of a runway or cruising in the fast lane. In the academic sense, he may be technically and statistically correct in his analysis. Theory and practice, however, are not the same.

As someone who has driven, trained and planed many thousands of miles in my working life, Dr Landy's concept of risk calculation per passenger-journey does in practise represent the true perceived danger to the frequent traveller.

"Risk per travelled hour" may have some limited validity, but "risk per passenger mile" is an impractical concept which also ignores the vagaries of human perception.

David Bodecott,
Newton House, Motherby, Penrith, Cumbria.

Consulting actuaries

From Mr A. Jenkinson.

Sir,—Mr Thornton's letter (May 16) was sad in the light of the guidance on professional conduct issued by the Institute of Actuaries in 1984. That guidance placed responsibility for actuarial advice on the individual actuary and made no differentiation between actuaries in public practice according to their particular mode of employment. It recognised the reality that, for those providing an advisory service based on personal expertise, the professional and business interests are common. In particular, it should be pointed out that that guidance attached the word "independent" not to an actuary (as Mr Thornton does) but to the advice. Independence is not the prerogative of the actuary in partnership, nor would his advice necessarily be independent.

The lingering desire to maintain divisions within the body of actuaries in public practice is one-sided and is virtually unique to this country. It is ironic, for example, that I can be a member of the International Association of Consulting Actuaries but not of the Association of Consulting Actuaries here. It is hard to see the desire to perpetuate division as other than commercially motivated. Having practised on both sides, I will admit that the employed actuary has to be just that bit more careful over conflicts of interest, but I do wonder at the motivation behind Mr Thornton's letter.

A. A. Jenkinson,
Cubie, Wood and Co., PO Box 144, Norfolk House, Wellesley Road, Croydon.

FINANCIAL TIMES
Friday May 22 1987

Government growth projections proved optimistic, reports **David Housego**

French economic dream fades

FRANCE was being hailed only 15 years ago as the rising industrial power of Europe, but suddenly it faces the prospect of being the poor man of the Continent.

The French Senate's economic committee warned this week that France's gross national product could soon slip behind that of Italy and Britain.

A front page article in the daily Le Monde earlier this month carried the headline "the haunting echo of decline." Even Mr Christian Saint-Etienne, a normally sober analyst of France's economic problems, headlined a recent article: "can France's economic decline be halted?"

This creeping pessimism seemed to be endorsed last week by gloomy government forecasts of lower economic growth this year and higher inflation.

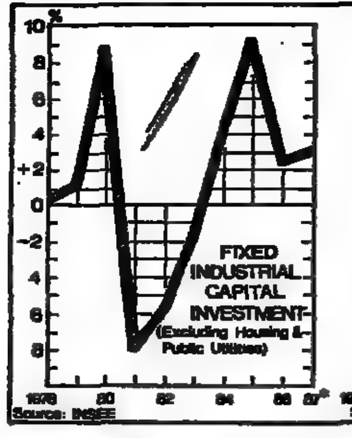
The French Government did little to prepare public opinion for the bad news, prompting a four percentage point tumble on the bourse on Friday. The market still remains edgy.

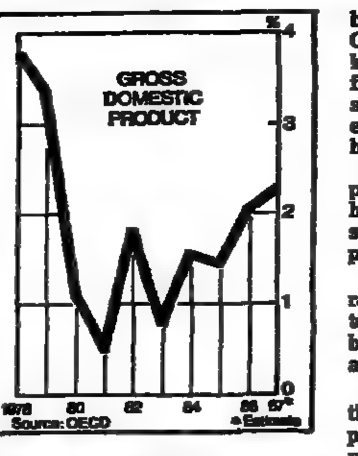
Nonetheless these less favourable projections are in line with what private forecasting institutes in France have been saying among themselves for weeks – reflecting largely the downturn in the international environment as well as some weakening in domestic demand.

But they are in sharp contrast to the Government's hopes on taking power in March last year of higher growth (a 2.8 per rise in real gross domestic product in 1987) and strongly rising investment because of the fall in oil prices and the dollar.

The picture now emerging is that French GDP will rise at little more than 1 per cent this year, inflation will be up to 3.5 per cent from 2.1 per cent in 1986. Industrial investment is flattening out, unemployment will rise to 2.8 or 11.7 per cent of the workforce, and the trade account is slipping back into deficit with a continuing reduction of France's traditional surplus on industrial goods.

All this is bad news for a government which had hoped to go into next May's presidential elections with an expanding economy under its belt. Mr Edouard Balladur, the Minister of the Economy, is no longer counting on this – although both inflation and exports should be better in the second half – and believes instead that the Government must rest its case on demonstrating that its policies are on the right path and will yield results eventually.





Hence the flurry of posters put up by Mr Jacques Chirac's neo-Gaullist party focussing on 1992 as a way of linking the opening of Europe's internal market with a revival in French fortunes. Or will the pessimists be proved right, with the country further in decline by then?

In contrast to the recent bad economic figures there are more positive signs that a turnround is underway in the French economy although it is slower and more painful than expected. The French car industry, which only four years ago seemed to be sinking under the weight of losses by Peugeot and Renault, has regained market share in the past two years on both Europe and domestically. This is the fruit of both a costly restructuring plan and renewal of its model range.

French companies are generally in a stronger financial situation than a decade ago after three years of rising profits and a reduction in their – albeit still heavy – indebtedness. They have strengthened their capital resources through equity funding in the financial markets – a record of FFr 11bn ($1.96bn) was raised in the first four months of this year. Most striking have been the large number of medium sized companies – more than 170 in the past four years – which have obtained listing on the second market.

An advantage that France has over its European competitors is that because of continuing wage restraint, unit costs in industry are still rising more slowly than elsewhere in Europe. This is essentially why, even with an inflation rate accelerating to 3.5 per cent this year, France's inflation gap with West Germany should narrow to 2 per cent at the end of this year from 3.5 per cent in 1986.

However, there are other sectors of the economy that are far from being out in the woods. The aerospace and armaments industries – once one of the strong points of the French economy – are in trouble because of falling orders, particularly on military sales to developing countries. Export orders recorded by the French aerospace industry fell last year by 40 per cent to FFr 37bn at a time when Britain was regaining market share.

Plant manufacturers – and hence turnkey export contacts – have been badly hit by the downturn in Opec and developing country markets and by stronger competition from the US and Japan. In areas such as machine tools and consumer electronics, French products have been fading from the market.

Industrial investment which picked up strongly in 1984 and 1985 has flattened out again – notwithstanding the improvement in companies' financial situation.

At a time of high real interest rates, companies are giving priority to reducing their indebtedness or to boosting earnings through financial assets.

In the months before the election, the Government has little leeway to put through policy changes that might improve the outlook. Mr Raymond Barre, the former Prime Minister, who presided over the last investment boom in the economy, has been calling for fiscal incentives – accelerated depreciation or additional tax cuts – to stimulate investment through strengthening companies' balance sheets. But Mr Balladur has for so long ruled this out – beyond corporate tax cuts already in the pipeline – that he would lose credibility if he gave way now.

There is little room to bring down interest rates – without endangering the franc – real short-term rates are around 5 per cent, or as high as when the Government took power. The franc is increasingly considered overvalued by being tied to a D-Mark that is being pulled up partly by the dollar's weakness.

Because the Government did not take action earlier to limit the deficit in the social security fund, it is condemned in the coming weeks to a deflationary 1 per cent increase social contribution at a time when its economy is already slowing down.

Mr Chirac could be tempted to try to offset this by allowing salaries to rise more quickly in advance of the election. The danger is that this could widen the trade deficit – already likely to increase this year to FFr 15bn – through sucking in imports.

S. Africa 'poised to enter critical transition'

By Anthony Robinson in Johannesburg

SOUTH AFRICA stands at the parting of the ways. Like Christian in John Bunyan's Pilgrim's Progress, South Africans must choose between the difficult high road of survival through negotiation or the low road of coercion and domination.

While the first offers sustained growth, reconciliation with the outside world and the release of creative energy, the second leads, after an initial sanctions-busting boomlet, to conflict, a siege economy and the fortress state.

These are the stark options put forward in a booklet entitled The World and South Africa in the 1990s. It is based on a study of future global trends and their interaction on South Africa. The book was commissioned by Anglo American, South Africa's most powerful mining, industrial and financial group. It was written by Mr Clem Sunter, an Englishman who reports to Mr Gavin Relly, Anglo American's chairman, on "scenario planning."

Its findings make sobering reading in the wake of a whites-only election in which more than 50 per cent of voters supported the neo-apartheid, coercion-cum-reform policies of the National Party and 30 per cent opted for partition of the country and a whites-only state as promised by Dr Hendrick Verwoerd in the 1960s.

A majority of white voters, including thousands of English speaking defectors from "liberal" ranks, thus endorsed the Government's policy. But will it work? According to Mr Sunter's analysis, the answer is "no."

"Anyone co-opted will immediately lose credibility with his own side and for that reason would be ruled out of the negotiation process," he writes in a passage which echoes the judgment of moderate black leaders such as Chief Gatsha Buthelezi, leader of more than 5 million Zulus.

The implications of an 80 per cent white vote for an imposed solution or for negotiations on an unrealistic basis are therefore serious. According to Mr Sunter, "the negotiation option is full of risk, but it is the only one which leads ultimately to genuine prosperity for all."

The soft-looking alternative, he writes, is co-option. "With co-option, you bring people who think like you into the system. You give them privileges and redistribute some of the wealth to them. Early on it looks fine on the surface with the top team taking on an increasingly multi-racial complexion. But it is increasingly flawed because the social harmony required for consistent growth will not exist underneath."

In effect this is a description of the government's tricameral parliament, its homelands policy, and its declared aim of enticing moderate blacks into the so-called national statutory council and the regional service councils at local level.

For Mr Sunter this would turn South Africa "into a military fortress isolated from the rest of the world. It can then descend into regional conflict and eventually end up in a state called the wasteland."

Can South Africa avoid catastrophe and emerge as a "winning nation?" The answer is only if it rejects apartheid and the tired old "isms"; embarks on mass education and housing programmes and builds on its economic advantages.

Despite its mineral wealth, South Africa is not a rich country, the book points out. Per capita gross domestic product of around $1,980 is relatively low. Furthermore, "high tech threatens its commodity exports" – new information and bio-based technology is low on metals use and high on brain power.

Given the right political climate created by open-ended negotiations, South Africa could make full use of its excellent infrastructure and develop both its industry and soak up unemployment.

As for the form of the negotiations, the book suggests the procedures laid down at east-west summit meetings and the strategic arms limitation talks, (SALT).

"Informal mediation at local, regional and national level ... followed by a SALT-type process whereby professional negotiators are chosen by the parties concerned to attend a national forum ... the last stage is where the leaders get round the table to finalise the settlement."

THE LEX COLUMN

Fashionable, in any currency

The day before yesterday it was the general belief that UK banks were better reserved against bad loans than their US competitors. That has not changed. But UK bank shares were still falling yesterday, faster than the rest of the London market, while Wall St, bank stocks included, was firmer. Must be those opinion polls.

C.E.Heath

C.E.Heath could scarcely believe its luck. Having demolished earnings per share, undershot a pessimistic profit forecast by more than £5m and slipped in an exceptional loss of double the size expected, the share price rose 6 per cent in a falling market.

Relief that the dividend was not cut played a part, but investors seem remarkably ready to accept the Fielding-Heath view that all the gremlins have now been accounted for and things can only get better.

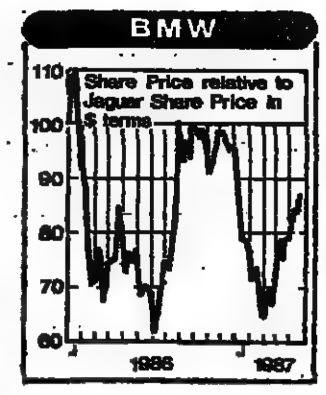
The difficulty is that given the unpredictability of US courts the exceptional item of £11.2m may not leave the slate quite as clean as supposed. And, although the Fielding management is held in deservedly high esteem, it will be a hard slog to re-establish the Heath broking business following the recent exoduses, especially with rates softening, sterling rising and interest rates falling.

It is true that currency losses accounted for part of the underwriting and broking losses, but the picture would have been even more dismal if only 12 months of Fielding profits had been included.

And, while Heath shareholders may eventually have reason to be thankful for the arrival of Fielding they are currently nursing a £25m reduction in shareholders' funds (in part thanks to the goodwill write-off) and a severe dilution in earnings.

The company is rightly making a virtue out of a forced reduction in underwriting (and will probably be out of the business altogether in five years), but a near halving in Pinnacle earnings for the current year leaves another hole to be plugged.

Given the longer-term doubts about the viability of a medium-sized generalist broker, an above average rating seems perverse unless it is buoyed by premature take-over froth.



BMW

With Daimler-Benz getting on the wrong side of the German taxi driver, and VW leaving its currency hedging in light hands, it is no wonder that BMW has become the favourite motor stock on the German equity market. So yesterday's announcement of some striking gains in turnover by BMW helped to add DM 8 to the share price, now a tank-like DM 567.

The increase was not so much a matter of unit sales expansion, as a reflection of the premium prices that the consumer is paying for the new 7 series.

Tales of even higher black market prices for the product should cause BMW no displeasure at all. In the car business at least, fashion demands the appearance of scarcity.

To judge by yesterday's statements from BMW, the weakness of the dollar – to which the BMW share price pays such close attention – is no difficulty at all. By stressing the dangers of US protectionism the company appeared to be saying that its only problem in the US is success. In sales terms that may be true, but since BMW still refuses to give profit figures for its overseas subsidiaries no outsider really knows the exact effect of currency movements on group revenues.

Those outsiders' estimates of worldwide earnings suggest that the share might be on a multiple of around 10, which hardly suggests that enthusiasm has got out of hand, or that recurring rumours of a sell-out by the controlling Quandt family are required to support the price. After all, with net cash of about £500m, BMW is hardly desperate for new capital.

Burlington

For the maximisation of shareholder value (as the jargon has it) Mr Asher B. Edelman has earned the considerable fee that he is sharing with other investors in Burlington Industries, now the recipients of a leveraged management offer at $76 a share, as well as a share repurchase offer at $80. Without successive bids from Mr Edelman and his partners, Burlington would no doubt be stringing along in the region of $50, and shareholders would still be looking for the elusive return on the $2bn they had invested in modernising the group's textile capacity.

Given the recent stiffening of legislative and judicial obstacles to takeover activity in the US, this is not as likely an outcome as it would have seemed this time last year. Hostile bids are plainly more difficult to bring off, after the Indiana judgment. And leveraged buyouts are more difficult to finance, now that the tax regime makes it harder to write up the value of assets afterwards. Burlington's management – and Morgan Stanley – must either have found some means of getting round the new doctrine on General Utilities, or be supremely confident in the hidden treasure to be stripped out of the balance sheet. In either case, there must have been genuine fear that Mr Edelman might actually gain control.

The sequel is familiar. Morgan Stanley will surely be at least as hard nosed in its pursuit of liquifiable assets as Mr Edelman. Some strands of the Burlington web will be teased out and sold to other textile companies, such as Mr Edelman's partner, Dominion. When the balance sheet has responded to all the disciplines of leveraged management, a smaller and doubtless leaner Burlington will return to the market with an even higher capitalisation than has been realised by Mr Edelman's approach.

Qatar launches $1bn offshore gas project

BY ANDREW GOWERS, MIDDLE EAST EDITOR, IN LONDON

THE GULF state of Qatar has launched its long-awaited $1bn offshore gas development by appointing Bechtel of the US and Technip of France as engineering, construction and procurement consultants.

The formal go-ahead came on Wednesday night, when Sheikh Abdul-Aziz bin Khalifa al-Thani, the Qatari Minister of Finance and Petroleum signed a consultancy contract, estimated to be worth between $70m and $80m, with representatives of a joint venture formed by the two companies.

The project – in Qatar's North Field, believed to be the world's richest single concentration of natural gas not associated with oil – will probably be the biggest started anywhere in the Gulf this year.

The deposit, lying off Qatar's north-east coast and containing at least 150,000bn cubic feet of gas, was discovered nearly 17 years ago by Shell International. But the Qatari Government has long procrastinated over a decision on the terms and financing for its development, despite long negotiations with a variety of international oil and engineering companies. Qatar sees the scheme as crucial to the diversification of its economy, which is at present totally dependent on oil.

The project, launched this week, is for the first phase of the North Field's development, with planned capacity of 800m cubic ft per day, according to Sheikh Abdul-Aziz. Engineering studies are to start immediately with a view to bringing phase one on stream within 3½ years. The total cost of the engineering and construction work, including offshore platforms, separation plants and underwater pipeline, will be between $800m and $900m, with the Qatar General Petroleum Corporation spending a further $100m or so on drilling.

On completion, the project is expected to yield some 700m cubic feet of gas for local industry, power and water desalination plants, and a further 45,000 barrels a day of gas liquids and condensates for export. This is equivalent to about 16 per cent of Qatar's current Opec crude oil production quota, and at current prices would generate export earnings of about $200m a year. Qatar already exports liquid petroleum gas under contract, principally to Japan but also to Western Europe.

Financing of the project is not yet finalised, but Qatar is expected to seek to borrow on international markets as well as asking contractors to arrange supplier credit.

Chase drops note issue

Continued from Page 1

The reserve strengthening would be "better for borrowers, lenders and the international system as a whole" and would put Citicorp in a "position to help formulate and press for creative financing packages for debtor nations pursuing market-oriented reforms."

Mr Manuel Johnson, vice chairman of the Federal Reserve Board, was notably less sanguine in testimony delivered to Congress yesterday morning, possibly suggesting some differences of opinion between the two institutions.

He said, however, that "the events of recent days underscore the prudence and wisdom of efforts over the last several years to strengthen the capital bases of our larger institutions."

Mr William Seiman, chairman of the Federal Deposit Insurance Corporation, told the same Congressional hearing that it would be "irresistible" for many banks to follow Citicorp's lead

Japanese banks may seek tax breaks

BY IAN RODGER IN TOKYO

JAPAN'S banks are likely to renew their campaign for larger tax concessions on bad loan write-offs in the wake of Citicorp's decision on Wednesday to add $3bn to its loan reserves because of difficulties with loans to developing countries.

Japanese banks are second only to US banks in lending to developing countries and, like US banks, have taken a hard line up to now on concessions to troubled borrowers, such as Brazil and Mexico. According to the Japanese Ministry of Finance, the total amount of less developed country (LDC) loans held by Japanese banks is about $60bn.

An official at Sumitomo Bank, which has one of the largest LDC loan portfolios, said yesterday the Ministry of Finance should expand the ceiling on reserves for bad debts, now 5 per cent of total loans, of which 1 per cent is tax deductible. Officials at Bank of Tokyo and Mitsubishi Bank, which are also major lenders to LDC's, also welcomed the Citicorp move.

The banks lobbied the Ministry intensively last summer for higher bad debt ceilings while negotiations were under way to restructure Mexico's borrowings, but to no avail. However, the Ministry later allowed the banks to sell their rescheduled Mexico loans to a jointly established holding company in the Cayman Islands at a discount and authorised them to offset the loss against tax.

Tokyo' capital markets shrugged off the shock of the Citicorp move. The dollar closed up Y0.53 at Y140.03 in Tokyo and the Tokyo stock market rallied strongly.

He said the move was designed in part to demonstrate that banks would not so readily accommodate debt restructuring and new loan requests from borrowers, and were ready for a long fight.

Backing for double zero

Continued from Page 1

Although the French are hostile to this notion, they do not take the Chancellor's remarks as yet indicating a final position.

The French emphasise that, for them, the most important objective is a European accord on removing longer range weapons (1,000 to 5,000 km range).

Quentin Peel adds from Brussels: the US will reach a decision on the double zero option even if its European allies fail to agree on a common response, a senior US diplomat said yesterday.

The warning was given in the light of the continuing divisions, particularly in West Germany, over the wisdom of accepting the removal of all INF weapons from Europe, as proposed by Mr Mikhail Gorbachev, the Soviet leader. The same official stressed, however, that Washington had yet to reach any decision itself on the issue, and that no deadline had been given to the Nato allies to achieve a consensus.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	R	13	55	Malta	S	20	68	Rhodes	F	27	81
Algiers	S	25	77	Edinburgh	C	13	55	Manchester	C	13	55	Rio de J'o	n/a	n/a	n/a
Amsterdam	C	10	50	Faro	S	23	73	Manila	S	36	97	Rome	R	18	64
Athens	S	24	75	Florence	S	17	63	Melbourne	C	13	55	Salzburg	R	8	46
Bahrain	S	36	96	Frankfurt	R	9	48	Mexico City	S	26	79	San Francisco	S	17	63
Bangkok	–	n/a	n/a	Funchal	C	18	64	Miami	C	25	77	Seoul	S	28	82
Barcelona	F	17	63	Geneva	C	11	52	Milan	S	20	68	Singapore	T	29	84
Beirut	n/a	n/a	n/a	Gibraltar	S	21	70	Montreal	C	21	70	Stockholm	S	13	55
Belfast	R	13	55	Glasgow	C	14	57	Moscow	F	25	77	Strasbourg	R	7	45
Belgrade	R	9	48	Guernsey	S	13	55	Munich	R	6	43	Sydney	R	17	63
Berlin	C	10	50	Helsinki	R	15	59	Nairobi	n/a	n/a	n/a	Taipei	R	29	84
Biarritz	S	15	59	H. Kong	C	29	84	Naples	S	18	64	Tangier	S	25	77
Bombay	S	36	97	Innsbruck	F	10	50	Nassau	S	29	84	Tel Aviv	S	27	81
Bordeaux	S	15	59	Inverness	C	13	55	New Delhi	S	39	102	Tenerife	C	23	73
Brussels	C	9	48	Islamabad	C	33	91	New York	C	13	55	Tokyo	S	27	81
Budapest	R	9	48	Istanbul	S	28	82	Nice	S	18	64	Toronto	C	15	59
B. Aires	n/a	n/a	n/a	Jakarta	C	33	91	Nicosia	S	17	63	Tunis	F	22	72
Cairo	S	36	97	Jersey	S	16	61	Oporto	S	25	77	Valencia	F	23	73
Cape Town	S	23	73	Jo'burg	S	20	68	Oslo	S	1	34	Venice	S	14	57
Caracas	n/a	n/a	n/a	Lima	C	22	72	Paris	R	10	50	Vienna	R	9	48
Casablanca	F	22	72	Lisbon	S	26	79	Peking	F	29	84	Warsaw	C	14	57
Chicago	n/a	n/a	n/a	London	C	11	52	Prague	F	9	48	Washington	n/a	n/a	n/a
Cologne	C	9	48	Los Angeles	C	14	57	Reykjavik	C	7	45	Zurich	R	5	41
Copenhagen	T	7	45	Luxembourg	F	9	48								
Corfu	S	21	70	Madrid	S	22	72								
Dallas	n/a	n/a	n/a	Majorca	S	23	73								
Dublin	C	17	63	Malaga	S	21	70								

Readings at mid-day yesterday.
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Helicopter costs soar

Continued from Page 1

through for Rafael into the European market and would also add a new dimension to arms purchases between West Germany and Israel.

The scale of the PAH-2 cost overruns is underlined by Defence Ministry figures given to the Bundestag's defence committee this week.

The German share of PAH-2 development costs is now put at DM 2.1bn, against less than DM 1bn three years ago. It is also considerably more than figures of around DM 1.5bn circulating only a few months ago.

Procurement costs for the 212 helicopters to be acquired by the German army are now put at DM 6.1bn, against an original figure of less than DM 3bn.

France will be putting up the same amount in development costs, but faces a lower procurement bill as it looks likely to buy fewer helicopters.

Additionally, the Bonn Defence Ministry will have to spend extra for the so-called "interim solutions." The upgrading with night-fighting capability of the PAH-1s is forecast to cost about DM 700m, while the purchase of US Apaches would cost DM 1.1bn.

The increase in PAH-2 costs is explained partly by the decision to use a new European night-sighting system, still to be developed, together with a European motor. West Germany originally favoured US solutions in both areas.

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FINANCIAL TIMES
SURVEY

Friday May 22 1987

CONTENTS

Sweden's self confidence has been badly undermined not just by the still unsolved assassination of its Prime Minister, Mr Olof Palme, more than a year ago but by failings in the company sector, too. The challenge for its leadership now is to restore faith in what has long been regarded at home and abroad as a model society, **Kevin Done** reports

Stockholm, Sweden's capital, from the tower of the City Hall

End of age of innocence

SWEDEN CAN no longer live isolated and at ease in a northern idyll largely protected from the more unsavoury aspects of the modern world beyond its borders.

While the assassination of Prime Minister Olof Palme was a violent intrusion into one of Western Europe's most open societies, brutally marking the end of an age of innocence, the turbulent events that have followed in the last year have served as well to underline that the earlier comfortable security of the "people's home" has been lost for ever.

Economically, doubts about the Swedish model may have set in long ago, but it is now other certainties and values that are under attack, as previously respected institutions and authorities are called into question.

The murder of Mr Palme, still unsolved after 15 months, is acting as an open wound, made all the more painful by the growing catalogue of incompetence and mismanagement that is being revealed from analysis of the subsequent conduct of the investigation.

While the murder remains unsolved, the vacuum has been filled by endless, unsettling speculation, the growing sense of unease has been exacerbated by other events, too, which have added to the atmosphere of uncertainty and confusion.

The scandal surrounding the smuggling of arms by Bofors, the Swedish weapons manufacturer, has taken a long time to ripen, but recently, after months of speculation, the first facts have begun to emerge and have served to highlight the innate contradictions of Swedish arms export policies, while also casting a shadow over the country's role as a champion of peace and disarmament while at the same time an important supplier to the world arms market.

For several weeks this spring, Swedes have been treated to the unusual spectacle of a long list of ministers and senior civil servants being called before hearings of the constitutional committee (the parliamentary body charged with investigating the conduct of government ministers) to account for their roles in both the Palme investigation and the Bofors scandal.

A recent opinion poll carried out by Sifo, the Swedish opinion research institute, found that more than half of those questioned believed that either government ministers or senior civil servants had assisted Bofors to smuggle arms.

Around 40 per cent of those questioned believed that the Bofors affair was not an isolated crime, but that it was a sign of something rotten in the state of Sweden. Scepticism was strongest among young people.

The feelings of national shock and grief over the assassination of Mr Palme on an open street in the centre of Stockholm have gradually been overtaken by a feeling of national embarrassment at the way the subsequent murder hunt has been conducted.

While the Palme investigation itself appears to have entered a calmer phase under its new leadership, all the doubts over the preparedness and ability of the police and other public authorities to deal with an event of such dramatic proportions as the assassination of the Prime Minister, have been rekindled by the publication this month of the first part of the judicial commission of inquiry into the wider implications of the murder.

The judicial commission says that the hunt for the assassin was not co-ordinated from the police communications centre, which meant that there was no overview or systematic search for the gunman in the first vital hours after the murder.

So far the official inquiries have shied away from holding individuals accountable, and have been far more interested in investigating how systems functioned. A majority of the constitutional committee found that no criticism could be made of government ministers' conduct.

The investigation of alleged Bofors' wrongdoing has been under way for more than two years, but even before any formal charges hav been laid, the management of the parent company, Nobel Industries, has now been forced to admit that it had illegally exported missiles to Dubai and Bahrain in direct contravention of Swedish arms export regulations, which forbid weapons sales to regions of conflict.

While the competence and ethical values of the authorities are gradually being subject to a new kind of scrutiny in Sweden, so too are ethics of the business and financial world.

Swedish business has been enduring its worst scandal of the post-war era in the shape of Fermenta, the embattled antibiotics and chemicals group, once the star performer of the Stockholm stock exchange, but since expelled from the bourse and brought to the brink of financial collapse.

The entire board, which included leading names of the Swedish industrial establishment, was forced to resign at the end of last year, as a profits forecast issued at the end of October of SKr 1.5bn for 1986 has been transformed in less than four months to a loss of more than SKr 500m. The ousted former main shareholder and chief executive is under criminal investigation for serious fraud, board members are being sued for damages and a wide-ranging insider trading investigation is still under way.

The Fermenta scandal is one of several reasons why the authorities are now seeking to improve regulation of Swedish financial markets, which have grown at an unprecedented rate during the 1980s not least because of the virtually complete liberalisation of the domestic credit market.

A sophisticated and diversified money market has been developed virtually from scratch in 1980. Stockholm now boasts two options markets with the first one showing record growth since it opened in mid-1985, while the stock market itself has jumped from a total capitalisation of SKr56bn and an annual turnover of SKr7.59bn at the end of 1980 to a market value of SKr40bn and a turnover of SKr142bn last year.

The dynamic growth of the financial markets has added a surprising new facet to the modern version of the social democrats' Folkhemmet, or people's home, creating even in heavily taxed Sweden a new yuppie elite, which Mr Stig Malm, head of LO, The blue collar workers trades union confederation sought to characterise in his May speech as 28-year-old speculators playing at their screens in a grown-up kindergarten.

While the financial authorities have pushed ahead with far-reaching deregulation in the domestic markets—not least in response to the winds of liberalisation blowing from abroad—they continue to shy away from dismantling the core of the long-lived foreign exchange controls.

Sweden is also coming under important pressures to adapt domestic institutions and practices from another quarter, namely the European Community. The pressure is self-imposed, but Sweden, which rules itself out of direct membership because of its strict adherence to a policy of non-alignment and neutrality, is becoming deeply concerned about the danger of being cut adrift from the European mainstream, as the Community moves to create by the early 1990s, its internal market for the free movement of people, commodities, services and capital.

The need to harmonise its own institutions with those of the Community could have an important impact on those features of Swedish society, which for so long have served to set it apart in the industrialised world.

Sweden still manages to combine the biggest public sector of any Western economy, the highest taxes, the narrowest wage differentials and the most highly-unionised workforce with one of the highest standards of living, one of the lowest rates of unemployment and one of most vigorous industrial sectors, with an abnormally high number of successful multinational corporations with such names as Volvo, Ericsson, Electrolux, Saab-Scania, Asea, SKF, Pharmacia and Astra.

As the US Brookings Institution remarked in a major study on the Swedish economy published earlier this year, the Swedish experience does not support the claims of those who believe that a large public sector and high tax rates necessarily lead to rigidities and stultification of the private economy.

Whatever its achievements, however, Sweden is still today a country with a troubled conscience, with more questions about its social institutions and values than it has answers.

As Mr Carl Bildt, the young leader of the conservatives, the biggest opposition party observes: "A lot of Swedes are confused about what is going on. Many have seen our country as the middle way to paradise, but a lot are finding out that it is hardly the middle way, and it is certainly not paradise."

Politics

Change of style for a new era

SWEDISH POLITICS has entered a new era in the wake of the assassination of Mr Olof Palme. The change in style, if not in substance, has been considerable, but the contours of the new political landscape are still indistinct.

Three of the major political parties, the Social Democrats, the Centre Party and the Conservatives, have new leaders who have yet to fight their first election campaigns. At the same time the environmental party, the Greens, has emerged as a new joker in the pack. In a succession of opinion polls during the spring they have finally cleared the 4 per cent hurdle, the threshold for election to the Swedish parliament.

The established parties, which have already strengthened their own political profiles on environmental issues, are not yet taking the possibility of a breakthrough by the Greens at the next election, in September 1988, very seriously.

A miscalculation could prove costly, however, and the Greens might just succeed in breaking the traditional political mould in Sweden. It remains to be seen whether their fledgling organisation and untried policies could stand the intense scrutiny of an election campaign, but the Greens could end up holding the balance of power, given the fine margin that normally separates the socialist and non-socialist blocs in Swedish politics.

The harsh tones that often characterised the domestic Swedish political debate during Mr Palme's 17 years as leader of the Social Democrats have seldom been heard in the last 15 months. The assassination of the Prime Minister created an overriding wish for national unity, which has supported the move back to a less confrontational style of politics.

Recent attempts by some of the Opposition leaders, most notably Mr Carl Bildt, the young leader of the Conservatives, to inject a more aggressive note, have tended to backfire.

The more sober, measured style of Mr Ingvar Carlsson, Mr Palme's successor as Prime Minister and leader of the Social Democrats, is more the norm for Swedish politics. "If there was anything that was an aberration, it was Palme. He was a very un-Swedish politician," Mr Bildt says.

The opportunities to score points off the government have not been lacking, but the non-socialist opposition parties have appeared strangely incapable of capitalising on the Social Democratic administration's discomfiture on a series

Kjell-Olof Feldt: "controversial reinterpretations."

of issues over the last year ranging from the furore over illegal arms exports, to divisions over South Africa, timing of the phasing out of nuclear power, and the extraordinary fiasco over the handling of the Palme murder inquiry itself.

During the spring Swedes have been treated to the spectacle of a succession of government Ministers and key officials including the Prime Minister being called before th all-party parliamentary constitutional committee to be questioned on their handling of these issues, but as yet the political fall-out appears to have been limited.

The non-socialist opposition parties have scarcely given the impression that they represent a viable alternative government and have often been split on key issues.

The Liberals, who staged a powerful revival at the last election in 1985 under their new leader Mr Bengt Westerberg, broke ranks in the early spring and supported the Social Democrats on defence spending. At the same time, the Conservatives were left isolated in opposing a trade boycott of South Africa, and as ever the non-socialist parties are badly split over the issue of nuclear power and the timetable for phasing out Sweden's 12 nuclear reactors. The Liberals also appear to be closer to the Social Democrats than to the Conservatives on ideas for tax reform.

The Social Democrats themselves have also faced difficult internal conflicts on several issues, but a divided Opposition has failed to exploit their vulnerability.

Mr Ingvar Carlsson has also drawn some of the Opposition's teeth by seeking to involve the non-socialist parties in a series of talks on key issues, as earnest of the government's intent to seek consensus rather than confrontation.

At one stage earlier this year the party leaders were meeting so often that political commentators began to suggest that Sweden was moving towards some form of national coalition government.

Mr Carl Bildt, leader of the Conservatives since last summer, insists, however, that most of the all-party meetings on issues such as tax reform, defence and energy policy were largely shadow-boxing. The only issue on which there was "an exchange of views of some substance" was the reorganisation of the Palme murder inquiry.

Mr Carlsson was careful to keep the Opposition leaders closely informed as the Government finally intervened in early February to resolve the organisational chaos into which the murder hunt had degenerated.

While much remains to be brought to light about the deficiencies in both the country's preparedness to deal with an assassination attempt on a political leader, as well as the organisation of the murder hunt itself, the Government has managed to avoid damaging censure of its own role with a majority of the constitutional committee, the parliamentary body that examines ministers' conduct in office, claiming this month that there was no cause for criticism.

The Conservative leader tried in March to raise the political temperture on the issue by accusing Mr Sten Wickbom, the Justice Minister, of being a "Cabinet Minister, who knows nothing, does nothing and wishes for nothing ... we have been forced to watch how our most important criminal investigation in modern history has degenerated into the disorder of a hen-house."

The attack fell largely on deaf ears, however, as the Government chose to deal with Mr Bildt largely by ignoring him, a tactic which hitherto appears to have reaped considerable dividends. Mr Bildt may now be willing to take off the gloves in the political arena in the belief that 15 months after the assassination it is back to business as normal, but he lacks a willing opponent.

The Social Democrats—despite the long-running "affairs" over arms smuggling and the Palme investigation—have continued to dominate the terms of the Swedish political debate. They stand in a much stronger position midway through the parliamentary term, than they did before the 1985 election.

And even a commentator in Svenska Dagbladet, Sweden's leading Conservative newspaper, was forced to admit recently that: "The most bitter truth for the three (non-socialist) parties is that the ideologically most significant—if not the most far-reaching—opposition to the direction of Social Democratic government policy comes from one of the government's own members, Finance Minister Kjell-Olof Feldt.

"In area after area he allows himself controversial reinterpretations of what social democracy can ideologically accept and what is desirable from an economic point of view."

Certainly if the last poll by Sifo, the Swedish Opinion Research Institute, is anything to go by, the Socialist bloc is set fair for yet another victory in next year's general election. The Social Democrats and the Communists together gained 50.1 per cent of the support compared with only 42.1 per cent for the three non-socialist parties, the Conservatives, Liberals and Centre Party.

At the same time Mr Carlsson enjoys a clear superiority in personal popularity. In a poll published by IMU in March to gauge voters' confidence in the different party leaders, Mr Carlsson scored 72 per cent compared with 50 per cent for Mr Bengt Westerberg, the Liberals' leader, 29 per cent for Mr Olof Johansson of the Centre Party, 26 per cent for Mr Lars Werner, the Communist Party leader, and only 25 per cent for Mr Bildt, the Conservatives' leader.

Kevin Done

Profile: Carl Bildt

Facing sceptics in electorate

"I still look very young and that can be a problem, and I might be seen as too intellectual," admits Mr Carl Bildt, since last summer leader of the Swedish Conservatives, the country's biggest opposition party.

The last few months have proved heavy going for the blond, bespectacled Bildt, who has seen support slipping in the opinion polls both for his party and for himself personally as party leader.

There can be no doubting his party credentials for the job, but Bildt faces an uphill task in establishing his political credibility with a still sceptical electorate.

Mr Bildt's liking for polemics and confrontation can tend to make him appear churlish on a Swedish political stage where a wish for consensus has dominated in the months after the Palme murder.

The son-in-law of Mr Gosta Bohman, Conservative Party leader from 1970 to 1981, Mr Bildt has risen rapidly through the Conservative Party ranks making his name as the party's leading spokesman on foreign affairs and security policy and becoming the youngest party leader in Sweden last year at the age of 37.

Ironically his rise to national prominence was helped to no small degree by Mr Olof Palme, who was leader of the Social Democrats for 17 years until his assassination.

A series of parliamentary battles during 1983 between the Social Democrats and the Conservatives over foreign and security policy, in which Mr Palme at one point accused the Conservatives of being a "security risk," proved that Mr Bildt was more than capable of looking after himself. The political wrangling culminated in the so-called "Bildt affair."

Mr Bildt had been a member of the special commission set up by the government in late 1982 to investigate incursions by foreign submarines into sensitive Swedish territorial waters close to one of the country's main naval bases. The commission placed the blame squarely on the Soviet Union.

Shortly after publication of the report Mr Bildt made a visit to Washington during which he briefed US State Department officials and others on itsfindings.

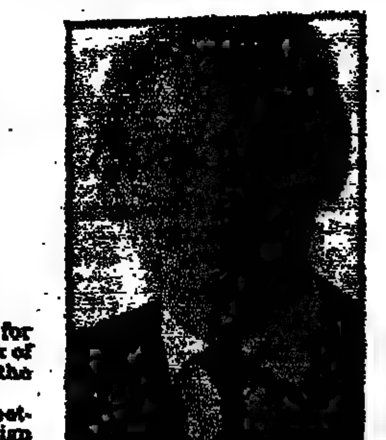
The visit had in fact been organised with the assistance of the Swedish Embassy long before the submarine report appeared, but this did not stop Mr Palme from mounting a heated attack against Bildt for showing "a most serious lack of judgement" in undertaking the trip.

Leaked reports from a meeting of the Swedish foreign affairs council suggested that Mr Palme had accused Mr Bildt of damaging Swedish neutrality.

The affair was blown out of all proportion by Mr Palme, but by the time emotions had cooled down, Mr Bildt's reputation had become firmly established as an incisive debater able to face down the redoubtable Mr Palme in a policy area that the then Prime Minister had come to regard as his own exclusive preserve.

Says one political commentator: "When the Bildt affair was over, everyone knew who Carl Bildt was. And everyone wondered who Olof Palme was."

There is no doubt that Mr Bildt now has the long-term ambition to fill the vacuum in the Swedish foreign policy debate left by Mr Palme's death, but he has still to prove that he can build the power base he



Carl Bildt: no doubting his credentials.

needs in the country.

Whatever else there can be no doubting Mr Bildt's commitment to politics. He foresook his studies at Stockholm University in 1973 to become political secretary of the Conservative Party and a member of of Stockholm county coucil in 1974.

From 1979 to 1981 he had a central role in the coalition government's Cabinet office as the Conservatives' under-secretary of State for Co-ordination and Planning, and he played an important role in the conservatives' decision to leave the government after a bitter disagreement with the other non-socialist parties over income tax reform.

Kevin Done

Profile: Anna Lindh

Emergence of a bright star

IF PAST precedent is anything to go by 29-year-old Ms Anna Lindh must have one of the brightest political futures in Sweden.

Since 1984 she has led the Social Democratic Party's youth movement (SSU), and is assured of being elected for a second term, when the SSU conference begins at the end of the month under the slogan "the future is ours."

Sweden's Social Democrats have maintained an unprecedented hold on power, having governed Sweden either alone or in coalition for 49 of the last 55 years, and many of its future ministers including Mr Olof Palme and Mr Ingvar Carlsson (SSU Chairman from 1961-67) have received their formative political training in the SSU. It is the proving ground of a formidable political machine.

After taking a law degree from Uppsala University, Anna Lindh was already in parliament in 1982 at the age of 25—at the time Sweden's youngest MP—but she resigned a the 1985 election to avoid any conflict of interest between her position as SSU Chairman and her membership of the Social Democrats' Parliamentary Group.

As SSU Chairman she needs the freedom to act as a potential scourge of the party leadership, but at the same time as a member of the Party's national executive committee, she is also taking part in the innermost circle of party policy making.

The SSU is itself a considerable undertaking with a full-time staff of 90 spread around the country and a membership of 55,000. Anna Lindh, who rules over this youthful empire, hardly has a traditional working class background. Her father is an artist, her mother a primary school teacher, and she grew up in a country district of central Sweden.

"I don't have a political background. My parents were rather progressive, but my relatives and the countryside where I lived were basically conservative."

From the age of 13 she had started to become politically active, first in the Vietnam movement and therein the SSU. By the age of 18 she was a member of the local council in the town of Enköping. For some years she worked in the Labour movement's peace forum with Alva Myrdal, who she regards as one of her most important mentors.

Political ambition persuaded her in 1984 to take the SSU Chairmanship, even at the cost of losing her seat in Parliament and giving up ambitions of practising as a lawyer. "As Chairman of SSU I am also on the Party executive committee. It's better than just being one of 167 MPs."

There is a steely, ideological, glint from the clear blue eyes that gaze confidently through a big pair of spectacles framed by long, unruly blond hair, but Anna Lindh is adept at using a disarming sense of humour and ready laughter to lighten the political message.

She generates a sense of pent-up energy and is a busy and articulate speaker well-used to addressing the party faithful at Social Democratic rallies around the country.

On May 1 1987, Sweden's Social Democratic youth leader was taken up with the vexed question of the Swedish arms industry and arms smuggling by Bofors. Contrary to the party leadership the SSU is pushing for the nationalisation of the weapons industry—and most specifically Bofors—and an eventual complete ban on arms exports.

The spirit of Alva Myrdal was evoked on this occasion too. She "managed to work with the most important question of our time, the fight for peace and survival. That is needed in a world where the US alone is producing 10 new H-bombs a day, and where there are enough nuclear weapons to kill humanity 50 times over."

For all its radical postures Anna Lindh claims that the SSU has become much less dogmatically left-wing than it was earlier.

Arms production, the banks and the pharmaceuticals industry are the only sectors that are still seen to be ripe for plucking into state ownership, but otherwise the emphasis has been shifted to the need for greater "workplace democracy."

The SSU is also pushing hard for shorter working hours, an issue to which the Swedish trades unions have hitherto given only spasmodic support. If Anna Lindh has her way the six-hour working day will be reality by 1990, with a start being made now for parents with small children.

Kevin Done

The economy

Adding up the sums

THE SWEDISH ECONOMY has made impressive progress since the early 1980s, when the country was still considered one of the sick men of Europe.

Inflation has fallen. Last year the iflation rate at 3.3 per cent (December to December) was the lowest since 1968. The current account of the balance of payments is in surplus and the public-sector budget deficit has been cut significantly as the brakes have been applied to public-expenditure increases.

The big devaluations of 1981 and 1982, totalling 26 per cent, gave a big boost to exports and to industrial competitiveness. They also led to a surge in corporate profits, which has substantially strengthened company finances.

Order has been restored to the economy without the parallel cost of high unemployment and Sweden can still boast one of the lowest rates of open unemployment in Europe at around 2.5 per cent (although that figure can be almost doubled if it is made to include those employed on job creation, training and other labour market support measures).

The Social Democrats, who regained power in the 1982 election after six years in the political wilderness, coined the phrase "the economics of the third way" to describe their strategy. It aimed for economic recovery without either tough cuts in public expenditure and high unemployment on the one hand, or lavish public spending and pump-priming to stimulate growth on the other.

Growth was supposed to be led by increased exports and higher investment. Sweden was supposed towork and save its way out of crisis: and for a couple of years in 1983 and 1984 that happened.

In the last two years, however, with real wages finally rising after several years of decline, the economy has become increasingly dependent on higher private and public consumption to generate expansion and the overall growth in economic activity has been slowing down.

Last year, Swedish gross national product (GNP) grew by only 1.3 per cent—much less than officially expected. The country could thank only fortunate external developments for the fact that the economy remained in such good overall shape.

The sharp fall in the oil price and the weaker US dollar helped to bring down inflation and made a substantial contribution to the big turnround in the current account, which swung into a surplus of SKr 6.7bn from a deficit of SKr 10.6bn in 1985. At the same time, lower international interest rates and the lower US dollar have also helped to reduce the budget deficit and the foreign debt burden.

Even Mr Kjell-Olof Feldt, the Swedish Finance Minister, would admit that the economic recovery has been helped by luck as well as judgment.

The more pessimistic observers of the economy suggest that once the effects of the devaluations and the oil price fall have worn off, Sweden will again be haunted by its old problems. These are a higher rate of inflation than in its main trading partners and an inability to contain wage costs at levels that do not erode the country's international competitiveness.

Already last yer, Swedish industry was losing market share both at home and abroad, at a time when its competitiveness was in fact being shored up by a further significant devaluation of the Krona. The workings of the Swedish currency basket, in which the US dollar is given a double weight, meant that the Krona was devalued significantly against the D-Mark and the Yen as a result of the depreciation of the US dollar.

In its recent report on Sweden, the OECD points out that the tendency for wages to rise faster than warranted may have been encouraged by past policies that have accommodated high wage increases through exchange-rate depreciations.

A study on the Swedish economy published earlier this year by the US Brookings Institution suggested that Sweden should adopt a flexible exchange-rate policy in order to maintain the country's international competitiveness, although such a strategy is firmly rejected by the OECD report.

It warns strongly that "a policy based on continued currency devaluation would not appear viable in the longer run. Exchange-rate adjustment would probably be built into expectations and wage claims, and there would be a risk of an inflation/devaluation spiral developing." It adds that other ways of reconciling the targets of low unemployment and inflation must be sought.

In its revised budget for 1987-88, presented at the end of April, the Swedish Finance Ministry acknowledges the risks.

It admits that price and cost increases are still considerably higher than in Sweden's most important competitor countries and that consumption has accounted for too large a share of the economic growth over the last two years at the expense of capital formation.

"If this pattern were to become permanent, the progress achieved so far may be reversed," the Finance Ministry warned in the revised budget. The words could have been taken from the OECD report.

In 1987, it is again private consumption that is the main impetus for growth with an estimated increase of 3 per cent after the jump of 4.1 per cent in 1986 and 2.7 per cent in 1985. Net exports will be negative for the third year running, with an increase of 3 per cent in exports likely to be matched by an 8 per cent jump in imports.

The weak development of exports and the strong expansion of domestic demand are expected to have a significant impact on the current account, although it should remain in surplus. The Swedish Government is forecasting a small surplus of SKr 1bn compared with a surplus of SKr 6.7bn in 1986.

The rate of inflation is quickening again and many economic forecasts are predicting an increase of up to 5 per cent by December this year, although the Government forecast is characteristically more optimistic at 4 per cent (December to December).

Inflation in Sweden as measured by the consumer price index has been persistently higher than in most other OECD countries, and although the gap between inflation in Sweden and inflation abroad narrowed in the second half of 1985 and the first half of 1986, there has been no clear tendency since then.

The Government has concluded, hardly surprisingly, that there is only "very limited" room for wage cost increases next year.

Alongside the revised budget, Mr Feldt has made the revolutionary announcement that the Swedish Government intends to impose cash limits in the state sector next year as a way of curbing what it considers to be excessive and inflationary pay settlements.

Kevin Done

Winds of reform

THE WINDS of tax reform blowing elsewhere in the world have also reached Sweden. An intensive debate is under way as the parties prepare their political platforms ahead of next year's general election.

Sweden has the heaviest tax burden in the Western world—and one of the most ambitious public sectors to support—with taxes equivalent to 51-52 per cent of gross national product.

Earlier this year Mr Kjell-Olof Feldt, the Finance Minister, put forward a preliminary discussion paper as part of the developing debate within the ruling Social Democratic Party. This is expected to form the basis of a more detailed tax reform programme to be presented to the party conference in the autumn.

It is still far from clear whether Mr Feldt can win party backing for a programme in which cuts in marginal tax rates will be one of the main priorities, and his proposals could be watered down before they pass the conference.

At the same time, the Social Democrats are in a minority in the Riksdag.

The reforms suggested by Mr Feldt aim to lower income tax rates at the cost of reducing basic allowances and other tax-deductible items. At the same time, tax regulations would be simplified and there would be a uniform system for the taxation of capital income and capital gains.

The Government has held one round of talks with Opposition party leaders during the spring to explore what common ground there might be, but the discussions were inconclusive. It is now expected that an all-party commission of inquiry could be established before the end of the year.

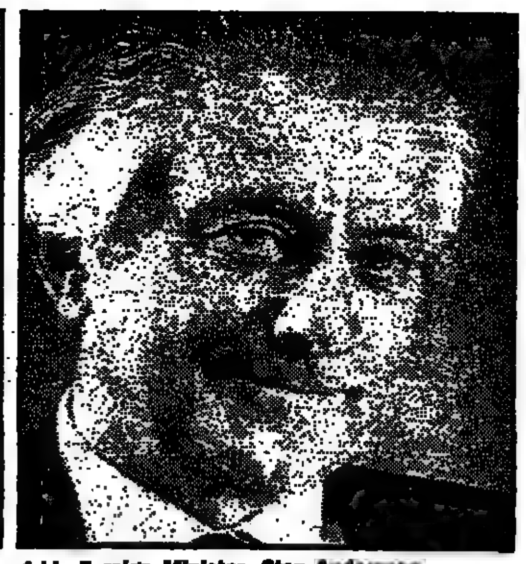
Mr Feldt accepts that Sweden's present taxation system with its very high tax levels is an "invitation to tax evasion and tax avoidance. It leads to an increased informal or grey economy with the exchange of services and low productivity in personal employment. It leads to difficulties in wage negotiations and adds to the problems of fighting inflation."

The multiplicity of tax deductions and high marginal rates are a "moral problem for society" by inviting tax evasion, he says in the discussion paper.

Controversially, he has insisted that whatever reforms are agreed there is still no room to reduce the overall burden of taxation at least before well into the 1990s.

Foreign policy

Challenge to neutrality



Prime Minister Ingvar Carlsson (above) and his Foreign Minister, Sten Andersson.

SWEDEN'S DECISION to impose a unilateral boycott on trade with South Africa has marked a unique departure from the principles of neutrality the country has followed for almost all the the post-war period.

At the same time the country's relations with both Superpowers appear to be more relaxed than for many years. Mr Ingvar Carlsson, the Prime Minister, visited Moscow last year, one of of his first foreign visits after taking over as Prime Minister, and be is due later this year to make the first official visit to Washington by a Swedish leader for more than 25 years.

Sweden faces serious challenges on other fronts, however. Its relations with Singapore, an important trading partner in the Far East, have been clouded by the Bofors arms smuggling scandal, in which the Swedish arms company appears to have used Singapore, with the help of local state-owned companies, as a base for the re-export of arms to countries that are banned under Sweden's arms export regulations.

Sweden is also seeking to come to terms with the adjustments that will be required by the far-reaching reforms under way in the European Community aimed at creating an open internal market with a free flow of goods and services by the early 1990s.

Sweden's neutrality policy has ruled out membership of the European Community, and it has had to rely instead on the working of the free trade agreements between the Community and the countries in Efta (European Free Trade Area) including Sweden.

Mr Sten Andersson, Foreign Minister, warned earlier this year, however, that Sweden must participate in the new wave of developments in the Community, "otherwise we are in danger of becoming isolated—economically, technically, scientifically and culturally."

The issue of a South African trade boycott became the first major foreign policy challenge faced by Mr Ingvar Carlsson after taking over as Prime Minister in the wake of the assassination of Mr Olof Palme, and the Government's response, initially at least, was far from convincing.

Reluctant to take a step which might serve as an uncomfortable precedent for the future, the Government delayed as long as it could by seeking to wait for a decision in favour of sanctions in the United Nations Security Council.

Together with the other Nordic countries, Sweden has worked for years to bring about a positive decision at the UN in favour of binding and effective sanctions.

Swedish policy earlier ruled out participation in any sanctions not approved by the UN Security Council. In addition, the country has been deeply reluctant to take any action that might undermine the credibility of international law, and in this case the boycott is in breach of the regulations in the General Agreement on Tariffs and Trade (Gatt).

The ruling Social Democrats traditionally have been in the vanguard of Swedish opinion on the South Africa question, but for a period last year they lost the initiative; they appeared embarrassingly to be stalling on the trade boycott issue as pressure grew both within and outside the party, and as both Denmark and Norway pushed ahead with their own boycott plans.

Sweden has argued that mandatory sanctions decided by the United Nations Security Council would be the most effective means of speeding up abolition of the apartheid system by peaceful means, but this line of action was finally blocked in the Security Council in February by vetoes from the US and the UK.

In the face of the UN failure the government clearly felt that it had little choice but to impose a unilateral trade boycott if the credibility of its Southern Africa policy was not to be further undermined. It failed, however, to win unanimous backing from all the Opposition parties with the Conservatives declaring that they could not support a move that might damage the country's neutrality policy.

The Swedish Foreign Minister argues that "on this issue Sweden cannot be suspected of acting on behalf of any power bloc or in the interest of any individual state. Nor are we in danger of finding ourselves in conflict with any great power or of being forced to take a stance *vis-a-vis* the antagonisms between the great powers."

The trade boycott "is an isolated occurrence justified by the completely unique character of the apartheid issue," the Foreign Ministry claims.

The trade embargo legislation will take effect on July 1, but the embargo itself will first come into force from the beginning of October allowing companies three months to wind up their trading links with South Africa.

Initially the embargo covers goods and not services, and the government is for the moment not taking any direct action to force Swedish companies with subsidiaries in South Africa to dispose of their local operations, although Mr Andersson maintains that "it is my principled belief that Swedish companies should pull out of South Africa."

Trade sanctions against South Africa are one of a series of international issues on which the Swedish government is strongly at odds with the US. Stockholm has also been outspokenly critical of US actions in Central America—but over the last 15 months there has been a marked improvement in the dialogue between the two countries.

Sweden was one of the most vociferous critics of US foreign policy among Western countries during the years that Mr Olof Palme was Prime Minister—in particular during the era of the Vietnam War—and it is significant that during all his 17 years as party leader Mr Palme was never invited to make an official visit to the US.

Mr Palme badly soured relations in 1968 when, as a Cabinet minister, he marched at the head of a torchlight demonstration through central Stockholm alongside North Vietnam's ambassador to Moscow. Shortly afterwards, the US ambassador to Stockholm was recalled to Washington for consultations.

There was further strain at the end of 1972, when Mr Palme compared the US bombing of Hanoi with earlier atrocities such as Guernica, Lidice, Sharpeville and Treblinka. For two years from mid-1972 to mid-1974 the US had no ambassador in Stockholm.

In more recent years trade relations have come under pressure as US concern grew that Sweden was being used as a conduit for the illegal export of US high technology equipment to the Eastern bloc. It is a sensitive issue for Sweden which is vitally dependent in many areas of its industry on the import of high technology components from the US.

Tougher regulations introduced by Stockholm last year appear to have calmed US concerns, however, and diplomatic activity aimed at resuming a top-level dialogue between the two countries was started about 15 months ago, before the assassination of Mr Palme. The last Swedish leader to make an official visit to the US was Mr Tage Erlander in 1961.

Priority in the talks between President Reagan and Mr Carlsson in September will be given to the establishment of a top-level political dialogue between the two countries, to export control, to achieving a better balance in US trade with Sweden, and to international questions such as South Africa, Central America, the Middle East and disarmament.

In terms of relations with the European Community, the government is becoming increasingly anxious that Sweden might be left behind in a process of reform that is of the utmost importance for Swedish industry, whose biggest market is in the Community.

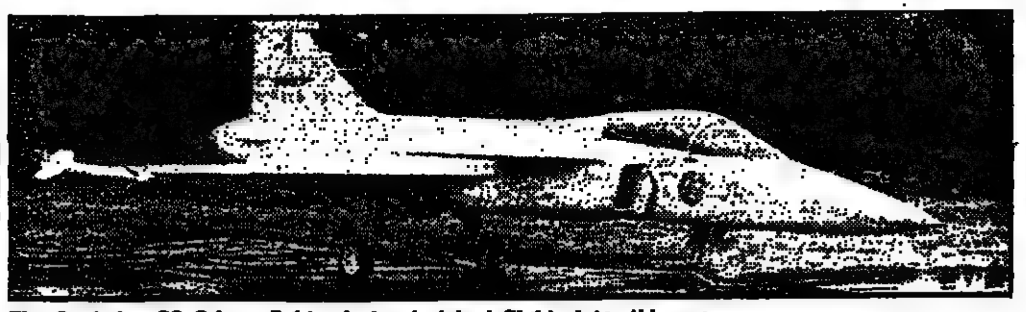
"Above all, new barriers must be avoided between Sweden and the EC countries," says Mrs Anita Gradin, the Foreign Trade Minister. She is seeking to ensure that Sweden continues to receive equal treatment when it is no longer a question of tariffs but the different areas covered by the EC White Paper, which aims to create an area in which people, commodities, services and capital can all move freely.

The areas of greatest concern to the Swedish government as it is forced to watch EC developments from the outside are that:

- Swedish companies are not discriminated against in public procurement;
- The country's products do not have to be given more thorough testing than those from the EC countries;
- Patents and trademarks receive the same protection as those in EC countries;
- Swedish students and travellers have the same freedom of movement as citizens of the EC countries.

Trades unions and some other interest groups in Sweden are still suspicious about the developments, and the government clearly faces a considerable task in convincing some of its supporters that the process of creating a West European home market must also concern very large parts of the Swedish administration, Swedish industry and commerce, and Swedish working life.

Kevin Done



The Saab Jas 39 Gripen fighter is to start test flights later this year.

Defence

Dismay at budget rise

FOR THE first time in 20 years, Sweden's defence budget is set for a real increase over the five-year period 1987-92 with priority to be given to improving both naval and air defence.

However, the 1.2 per cent increase (equivalent to SKr 6.2bn over five years) looks stingy considering that the surrounding countries are increasing their defence spending by 3 per cent on average.

So while the defence staff welcomed the apparent reversal in government attitude, they were quick to add: "We are still going to become gradually weaker, but more slowly than before." The opposition Conservative and Centre parties had both pushed for a much greater increase in defence spending and were dismayed when their non-socialist ally, the Liberal Party, opted to support the ruling Social Democratic Party's modest proposal.

As the Supreme Commander, Bengt Gustafsson, pointed out, Swedish Defence has weakened over the past 15 years with a 50 per cent reduction in aircraft and a 30 per cent cut in ships.

Defence spending as a percentage of GDP was 2.8 per cent in 1986, yet Bengt Gustafsson has emphasised that in order to be effective, defence spending should rise to 3-3.5 per cent of GDP in the 1990s.

The small increase, which will be financed by raising oil taxes and selling off part of the country's oil reserves, is seen as a necessary response to Soviet build-up in the Baltic and on the Kola Peninsula as well as to the increasing number of foreign submarine intrusions in Swedish coastal waters.

The Soviet Union has built up its marine forces including nuclear submarines since the 1960s. The Kola Peninsula, geographically considered a part of Scandinavia, houses the major Soviet naval bases and 70 per cent of their second-strike capability in war.

This build-up, in the event of war, could threaten Nato's communications across the Atlantic, and means that Scandinavia is important strategically. With the Soviet Union's main shipbuilding and repair bases situated on the Baltic coast, control of the entrance to the Baltic would play an important part in the event of war.

From a Swedish point of view, the main problem is submarine incursions (identified as coming from the Warsaw Pact), but with 2,700 kilometres of coastline to defend, this poses a considerable strain on the defence forces. Military experts calculate that Sweden needs at least three main separate forces to defend the coast adequately—today it has the equivalent of one such force.

The main defences against submarines are the coastal corvettes of which Sweden has two with another four under construction and scheduled to come into operation in the 1990s. These are small-hulled, multi-function ships, about 50 metres long and 300 tonnes in weight, armed with torpedoes, missiles and cannon.

The defence minister, Mr Roine Carlsson, described them as "metal monstrosities" only used by the navy for showing off, but was later forced to eat his words as naval staff complained bitterly.

Sweden has 12 submarines of its own, to be increased to 14 during the 1990s. The plan is to gradually scrap the old models and replace them with the new class of submarine under development at the Kockums yard.

When it comes to air defence, the most important project is the Jas 39, the new generation flexible combat aircraft which has been developed to serve three separate functions—reconnaissance, attack and interception. The Jas 39 was rolled out in April and is expected to start test flights by the end of 1987. It should be in operation in 1992.

The Swedish Air Force has ordered 30 Jas 39 aircraft and has an option on a further 110 to be delivered by the year 2000.

The defence committee recommended increasing their air defence with an additional two anti-aircraft missile battalions. The air staff have been pressing for extra Viggen and Draken divisions in the meantime, but are unlikely to get these.

The committee recognised the need to raise the standard of training and refresher courses given to conscripts and said that Sweden needed new helicopters, new missiles (for use in coastal defence), better intelligence services, and extra money to keep military personnel in the forces.

In recent years, the defence forces have lost trained pilots to SAS, the Scandinavian airline, where salaries are three to four times higher, while Air Force and Army technicians are often snapped up by industry.

In the next Five Year Plan (1992-97), Sweden has to decide how to improve its tank forces, which are largely equipped with the British Centurion model, dating from the 1950s, and the Swedish-built S-tank, which was built in the 1960s.

Developing and building new tanks at home is probably too expensive, and Sweden is likely to buy the German Leopard tank

Special priority will also be given in 1992-97 to improving basic equipment. The armed forces buy cannons, guns and missiles from Bofors (the ordnance division of Nobel Industries), and explosives, mines and grenade-launchers from FFV, the state-owned defence administration. But as they are quick to point out, it is no use upgrading equipment unless the armed forces have the resources to make good equipment widely available to the units.

Sara Webb

Stockmarket

Companies under scrutiny

THE SWEDISH bourse has scaled new heights this year with the Veckans Affaerer total index breaking through the 1,000 mark, though it has since fallen back. The index has increased by more than 70 per cent since the beginning of 1986, and by more than 200 per cent since the start of 1983, while total turnover in 1986 reached an all-time record of SKr141.7bn.

Despite the appetising figures, the picture during 1986-87 has not been entirely rosy, however, and a black cloud appeared in the form of Fermenta, the scandal-riddled antibiotics and chemicals group.

Fermenta was once a glamour stock on the Stockholm bourse, and its free shares peaked at SKr325 in January 1986. A year later, the stock was delisted, following a long series of misdemeanours which began with the admission by Mr Refaat El-Sayed, the former chief executive, that he did not have the qualifications he had originally laid claim to.

The stock exchange board delisted Fermenta on the grounds that it had given out false information in its annual and interim reports and that its forecasts for 1986 had been grossly misleading. The shares now trade at close to SKr20 on the unofficial market.

Fermenta's rapid fall from grace during 1986 shook confidence in the stock market and left people wondering how so many private investors as well as respected business names could have been hoodwinked for so long.

While the new board has come up with a financial rescue package for the troubled company, Mr El-Sayed now faces personal bankruptcy and has been officially informed that he is suspected of fraud, book-keeping crimes and breaches of Sweden's Companies Act.

A number of former Fermenta board members are under investigation by the police for using inside information about the company when trading its shares.

Fermenta is not the only company which has come under scrutiny in connection with suspected insider trading offences. The bank inspection board has investigated a number of recent take-overs where shares of the target companies showed strong increases in price and trading volumes shortly before the take-over plans were publicly announced.

The police are now investigating cases of suspected insider trading in connection with the takeover of LKB, the instruments and chemicals company, by the biotechnology and pharmaceuticals group Pharmacia, and the takeover of the packaging paper manufacturer Ljungdahls by the specialty paper group Munksjö.

New legislation is expected in July which should help to crack down on insider trading by extending the period during which board members and employees with access to inside information about a possible takeover are forbidden to trade shares in the target company.

Meanwhile, brokers are wondering whether the bull market, now entering its sixth year, can continue during 1987 though the economic and company forecasts are generally favourable.

The index has been pushed up by a flood of money as there have been no new issues recently to mop up the surplus cash. Later this year, the market should see its largest ever domestic equity issue with the partial privatisation of Procordia, the state holding company which is Sweden's leading brewer and cigarette producer.

Procordia plans to raise about SKr 1bn in new equity capital, reducing the state's holding to about 81 per cent. At a far more distant date, the government has said it would like to launch SSAB, the commercial steel group, on the market and recently installed new management to restructure the group.

Brokers complain that despite appearances of a booming market, a lot of the trading in the top blue chips has fled to London ever since the turnover tax in Sweden was doubled on July 1, 1986, making the transaction costs about three times higher in Sweden as a result.

Three companies—Pharmacia (the pharmaceuticals and biotechnology group), Volvo (the automotive group), and the industrial gas group AGA—have obtained a listing on the Tokyo exchange. Their purpose so far seems to be merely to increase awareness in those markets, and they have yet to try to raise money abroad.

One of Sweden's worries is that it will be left behind when it comes to global 24-hour share trading, chiefly because of the exchange's short trading hours and the fact that Swedish brokers are not allowed to hold blocks of shares worth more than SKr50m in total in their inventories overnight. The exchange is now considering changes to both those limitations.

Sara Webb

Sweden: Demand and Output

SKr(bn) (current prices)	1985	1984	1985	1986	1987
		Percentage change in volume			
Consumption	678.4	1.8	2.4	2.3	1.9
private	438.6	1.4	2.7	2.8	2.5
public	239.8	2.4	1.9	1.4	1.0
Gross fixed investment	164.8	5.1	6.3	0.0	3.5
residential construction	35.4	7.4	1.1	−5.0	5.0
private*	77.8	10.3	11.5	−0.5	5.0
public (non residential)	51.6	−2.8	2.9	4.7	0.7
Final domestic demand	843.2	2.4	3.2	1.8	2.3
Change in stockbuilding	−1.4	†0.7	†0.6	†−0.1	†0.5
Total domestic demand	841.8	3.2	3.9	1.8	2.8
Export of goods and services	303.6	6.7	2.3	2.5	4.5
goods	258.7	7.9	3.2	3.0	4.8
Imports of goods and services	282.9	4.5	7.7	3.7	6.0
goods	246.3	5.4	8.1	4.2	6.5
GDP at purchasers' values	862.5	4.0	2.2	1.4	2.4
Industrial production		5.6	2.0	2.0	4.0
Industrial investments		16.6	19.2	0.0	10.0
Producer prices		8.6	5.6	2.0	3.5
Trade balance SKr(bn)		24.4	16.1	34.0	28.0
Current balance SKr(bn)		3.3	−9.5	10.0	3.0
Total employments		0.8	1.0	0.6	0.4
Unemployment rate‡		3.0	2.8	2.7	2.9
Disposable income		9.1	9.3	7.7	7.5

* Incl. merchant fleet. † Change as percentage of GDP previous year. ‡ Registered unemployment as percentage of total labour force.

Source: Nordic Economic Outlook (Nordic Industry federation)

Arms industry

Dilemma over exports

SWEDEN'S arms dilemma can roughly be summarised as this: how does a neutral country maintain a strong arms industry with the highest possible degree of self-sufficiency and at the same time help to preserve world peace by preventing these arms from falling into "unsuitable" hands?

The answer is it cannot. Sweden's neutrality means that it must have its own arms industry in order to avoid dependency on either of the military alliances. But to finance the research and development of up-to-date weaponry, the arms companies need a steady stream of orders from the Sewidsh armed forces.

They do not always get that. The orders vary in size from year to year, so Swedish arms companies tend to depend on exports for their financial survival.

The problem here is that the Swedish government does not allow weapons exports to countries which are at war or in areas of conflict such as the Middle East. These are admirable ideals for Swedes to hold, but it is not always possible to live up to them.

It therefre came as little surprise to defence experts that Swedish weapons were finding their way to the Middle East and were reported to be in Iran.

For over two years, police and customs have been investigating Bofors, the ordnance subsidiary of Nobel Industries, for illegally smuggling anti-aircraft missles, ammunition and explosives to the Middle East. In March, Bofors finally admitted that it had broken Sweden's weapons export regulations by selling arms to the Middle East via Singapore, as well as training Bahraini military personnel in the use of missiles at the Bofors headquarters in Sweden.

The confession implicated the Singapore authorities because Nobel Industries said that the deals were carried out through companies indirectly controlled by the Singapore government with end-user certificates supplied by the Singapore Defence Ministry.

The Swedish authorities appear not to have questioned why Singapore bought so many weapons in the first place. Over the past 10 years it was Sweden's biggest customer, accounting for 10.8 per cent of Swedish arms exports. Several members of the present and former governments have been questioned by the constitutional committee over their involvement in the scandal. Meanwhile, the police investigation has been delayed by the death—suspected suicide—of the armaments inspector in January.

Among the consequences of the Bofors scandal are:

Bofors anti-tank weapon: the company has admitted breaking export regulations.

- Sour relations between Stockholm and Singapore;
- Government recommendations and other calls to tighten up weapons exports still further;
- Government recommendations to introduce restrictions on weapons marketing overseas;
- Proposals to place more emphasis on civil production at Bofors; and
- A proposal to nationalise Bofors.

That last proposal, by Energy Minister Bigitta Dahl, was widely regarded as a piece of politicking and later scotched by the Social Democratic Party.

Of course Sweden could avoid such brouhahas in future if instead of tightening its regulations it chose to live in the real world and relax the rules. For, in the words of one defence consultant, "only the Swedes could think of selling weapons to people who promise not to use them—it's like selling cigarettes to non-smokers."

Not all Swedes are so naive though. One of the country's arms dealers, whose role in the affair is unclear, astutely pointed out that Iran and Iraq are the biggest markets for weapons today.

"What you have to remember is that the decision on where we are allowed to export our weapons is a political one," says Mr Anders Carlberg, managing director of Nobel Industries.

In other words, it is not all right to sell to Dubai and Bahrain (which though not at war, are in the conflict-torn Middle East), but it is all right to sell 155mm howitzers to the Indian Army even though an important reason for choosing the Swedish artillery system was the fact that with its particular range it could hit certain sensitive spots across the Pakistan border.

Bofors won its record SKr 8.4bn order to supply the Indian Army with the howitzers in April 1986. The order is expected to provide Bofors and its Swedish sub-contractors with work for 2,000-3,000 employees over the next five years. It came at a crucial time, when Bofors was bracing itself for more job cuts.

But the order is now being investigated by the National Audit Board following allegations by Swedish Radio that Bofors paid bribes to secure the contract.

The allegations shook Mr Rajiv Gandhi's Government, and though Bofors categorically denied paying bribes, defence experts maintain that in these days it is impossible to secure defence contracts of that magnitude without greasing palms.

While Swedes appear affronted by the realities of the arms business, few outsiders believe that Bofors' reputation as an arms manufacturer has been damaged. It is a leading company, noted particularly for its 155mm howitzer gun systems, which are accurate with a high rate of fire, are easy to use and efficient in doing damage.

The RBS 70 anti-aircraft missile (the sort which turned up in the Middle East) is a laser beam-riding missile which experts claim is almost impossible to jam. Bofors' recently developed BILL medium-range anti-tank missile, which can sense when it is above its target and then strike downwards through the tank turret, is considered a breakthrough in anti-tank weaponry.

In the circumstances, it is Bofors' misfortune to be situated in Sweden.

Sara Webb

Saab 340 airliner: reduced development needs for this aircraft and the company's Jas 39 Gripen fighter mean that Saab will cut its aerospace workforce by 1,500 over the next three years.

Banking

Rewards from deregulation

SWEDISH BANKS, on the whole, have basked in the favourable financial climate created by deregulation and liberalisation during the 1980s, and have been able to reap the rewards over the last year.

The commercial banks enjoyed record profts in 1986, helped by falling interest rates and the large gains realised by selling off part of their bond portfolios. With the removal of both price and volume controls on bank lending in 1985, the banks have witnessed a surge in lending, and have enjoyed higher earnings from commissions, due partly to the rising stock market.

The introduction of two new instruments, bank certificates of deposit in 1980 and—more importantly—Treasury discount notes in 1982, paved the way for the formation of a flourishing money market which even some of the trade unions now plan to use to obtain a higher return on their capital.

The commercial paper market, which began in the spring of 1983, is now larger than its Dutch, French and UK counterparts, though it lies behind the US domestic and Euro-commercial paper markets. Standard & Poor's the US rating agency, is working with the Stockholm school of economics on a credit rating system for the market which would take into consideration the peculiarities of Swedish companies and local authorities and their accounting pratices.

Meanwhile, the options market has grown beyond all expectations and, surprisingly in a country as small as Sweden, there are now two rival markets. The first options market—known as the Stockholm Options Market (OM)—started up in June 1985, offering call options on a number of shares and interest rates. It took off rapidly and launched an index option last December.

Demand was so strong that a second market—known as Sweden Options and Futures Exchange (Sofe)—started earlier this year without appearing to steal any of the Stockholm Options Market's business.

The growth has continued unabated, even though the Swedes learned a harsh lesson about the risks of speculating in options and futures when an employee in the Stockholm City Treasurer's office started dabbling in these instruments and notched up losses of about SKr 450m causing a scandal. Sofe traded an average of 15,000 contracts per day in April while OM's daily average was 37,000.

Last September, the Government decided to abolish the requirements for life insurance companies and pension funds to invest in "priority bonds," removing the final obstacle to a well-functioning bond market. The priority bonds had been used to provide long-term finance for the state, house-building and agriculture, and were unpopular because the rate was usually 0.5-1 per cent below the market rate.

The strong performance by the various markets has not passed unnoticed in the Finance Ministry and, having created the conditions and environment for their blossoming and growth, the Social Democratic government has taken a number of steps in the past year to cream off some of the rewards for redistribution—either through taxes or compulsory donations.

Take the stock market, for example. The bull market, now running into its sixth year, raised eyebrows. Mr Kjell-Olof Feldt, the Finance Minister, decided to double the turnover tax from July 1 1986.

The move was partly meant as an appeasement gesture to the trade unions who had been told that wage increases must be kept down at a time when it was blatantly clear that the country's financial markets were turning in huge financial gains.

Though the bull market has continued into 1987 and reached record heights, Swedish brokers complain that the higher turnover tax has chased a certain amount of business in the largest Swedish stocks to London, where the transaction costs are now about a third of those in Stockholm.

By September, it was time to sort out the life insurance companies and pension funds which had performed very well due to high yields on their investments. The Finance Minister introduced a "one-off tax" of 7 per cent on total assets to be paid at the end of 1986.

This was intended to raise SKr15-18bn in revenue, and was widely condemned as a means of "confiscating capital." Two of the life insurance companies affected, Skandia and Wasa, hope to take their case to the European Court and prove that the government's action was illegal.

Then, in December, it was the banks' turn. Mr Ingvar Carlsson, the Prime Minister, thought it would be a good idea if some of their profits were siphoned off to fund research and development at Swedish universities. Without going through parliament, he asked the banks to "donate" SKr 600m over the next three years, to be paid in proportion to their profits.

The banks were too cowardly to protest—as one managing director put it, "When the Prime Minister makes that sort of request you cannot refuse." Mr Erik Ehn, chairman of the Swedish banking federation and managing director of Nordbanken, excused the banks' compliance by saying: "There is a clear understanding that the Government will not increase our taxes."

The shareholders, were furious, however, and the annual shareholders' meetings this spring were some of the longest and stormiest in Sweden's banking history.

The latest group to be visited by the tax spectre are the options and future markets—Mr Feldt announced that he would broaden the securities tax base to include options and futures, estimated to raise about SKr 200m. The tax is not expected to have a deleterious effect on the markets, however.

Foreign banks have started to show their mettle since being allowed to set up subsidiaries in Sweden at the beginning of 1986. Initially, 13 banks started up in Sweden: Societe General, Banque Nationale de Paris, Banque Indosuez (in a joint venture with Finland's Postipankki), Credit Lyonnais, and Banque Paribas of France; Citibank and Manufacturers Hanover of the US; Den Norske Creditbank and Christiania Bank of Norway; Kansallis-Osake-Pankki and OKOBANK of Finland; and Algemene Bank Nederland of the Netherlands.

Their presence has been felt mostly in the foreign exchange and money markets where the numbers of players virtually doubled overnight. In addition, they are trying to develop import-export financing links with the major Swedish groups where they have the advantage over Swedish banks of being able to offer worldwide branch networks.

In May 1987 Svenska Handelsbanken, the second largest bank, became the first Swedish bank to open up an overseas branch in New York, following the relaxation of rules on this front. Skandinavista Enskilda Banken, the leading bank, plans to follow suit in the autumn.

With the arrival of the foreign banks, competition in the domestic market has increased. One reaction to this was the formation of the Gota Group, a banking and financial services group which controls Gotabanken (the country's fourth-largest publicly-quoted bank) and Wermlandsbanken (a regional bank), as well as stock brokerages, leasing and finance companies all under one holding company structure.

Gota Group is ultimately controlled by the Swedish investment company Proventus, whose plans to expand in this sector caused quite a stir in the Finance Ministry where the idea of a bank being controlled by a holding company is rather alien.

The Ministry reacted by proposing temporary legislation with effect from July 1, 1987 so that a holding company would be subject to the same regulations as ordinary banks, chiefly to prevent the holding company from removing capital from the bank and exposing deposits.

Further, the legislation will allow banks to own stockbrokers, whereas before they were only allowed to run in-house stockbroking operations. The conditions are now set for further shake-ups in the banking and financial sector.

Sara Webb

Energy

Neighbours vie to fill nuclear gap

SWEDEN, says Mrs Birgitta Dahl, is like a young girl pursued by suitors. The Energy and Environment Minister was not talking about Swedish morals in this case, but about the way neighbouring countries have been trying to take advantage of Sweden's plans to phase out nuclear power by offering to sell their own particular energy alternatives.

With the first of the country's 12 nuclear reactors due to be phased out over the period 1993-95 (provided that alternative forms of energy can be found) the pressure is on. A second reactor may be closed down between 1994-96 and the eventual deadline for closing all the reactors is 2010, as set by the 1980 referendum and subsequent parliamentary vote.

The fact that the government has decided to speed up the closure programme is largely attributable to the Chernobyl disaster. The Swedes, after all, were the first to detect unusually high levels of radiation at the Forsmark nuclear power station, and sounded the alarm about a nuclear accident in the Soviet Union.

Radioactive caesium was found in various foodstuffs, and contaminated food valued at about SKr 150m had to be destroyed. More than 80 per cent of the reindeer slaughtered in Sweden were declared unfit *for human consumption*, and the government was forced to pay compensation to the Lapp herdsmen who make a living from selling reindeer meat.

One official says: "Chernobyl was a turning point in Swedish energy policy in that the industrial sector didn't really believe there would be a phasing out of nuclear power beforehand. Afterwards, they did."

This is not to say that the industrial sector sat silently throughout the nuclear debate. Several representatives of industry—backed by the Swedish Energy Council's report, After Chernobyl—have warned that by phasing out nuclear power (which accounts for about half of the electricity produced in Sweden), electricity prices will naturally increase and Swedish companies will lose their competitive edge abroad. The iron, steel, pulp and paper, and chemicals industries in particular would be badly hit.

ENERGY SUPPLIES

(in Terawatt/hours)

	1985	1986	est. 1987
Industry	140	138	139
Transport	74	79	78
Homes, services	165	164	163
Foreign ships, other	63	69	68
Total used	443	450	449
of which: Oil	213	216	209
Natural gas	1	2	3
Coal/coke	34	35	36
Domestic fuel	62	64	63
Hydropower, nuclear power, waste heat, and district heating	133	133	137

Source: National Energy Board

Mr Carl-Erik Nyqvist, general director of the state power board, said that electricity prices could be expected to rise by 50-100 per cent with the phasing out of nuclear power and that the closure programme would cost the country about SKr100bn.

The government still has to decide which reactor to close first. The Danes would like it to be Barsebäck because the *power plant is situated in southern* Sweden close to both densely-populated Malmo and Copenhagen. Yet Barsebäck is supposed to be the safest of all the Swedish reactors.

What then are the alternatives? In its research and development budget this spring, the government decided to put SKr1.05bn aside for energy research over the next three years, in particular looking at more efficient uses of energy and possible alternatives.

In future, priority will go to a more efficient use of energy in both industry and households, and the use of waste heat to produce electricity.

But how to replace nuclear power which today acounts for 60-65 Terawatt/hours (TwH)? Hydropower, which provides about the same amount, cannot be increased without exploiting new rivers.

There are four big unexploited rivers left in Sweden in areas of outstanding beauty and the environmentalists are loath to let these go—though even if they did, the rivers could not totally replace nuclear power, providing perhaps an extra 20 TwH. Instead, a few of the smaller rivers could be used to boost hydropower fractionally.

The most likely main alternative appears to be natural gas, which to date only accounts for 6-7 TwH. The National Energy Board claims that the initial capital and maintainance costs for gas power stations (especially combined cycle turbines) are lower than for coal power, though total cost would of course depend on the gas price negotiated.

Sweden started importing natural gas from Denmark in 1985 and has a well-developed network in south and south-west Sweden which is due to reach as far as Gothenburg in the summer. Relations with the Danish suppliers were strained when they refused to lower the price on the initial contract in line with falling oil prices—which, the Swedes maintain, means they are being overcharged by 20 per cent.

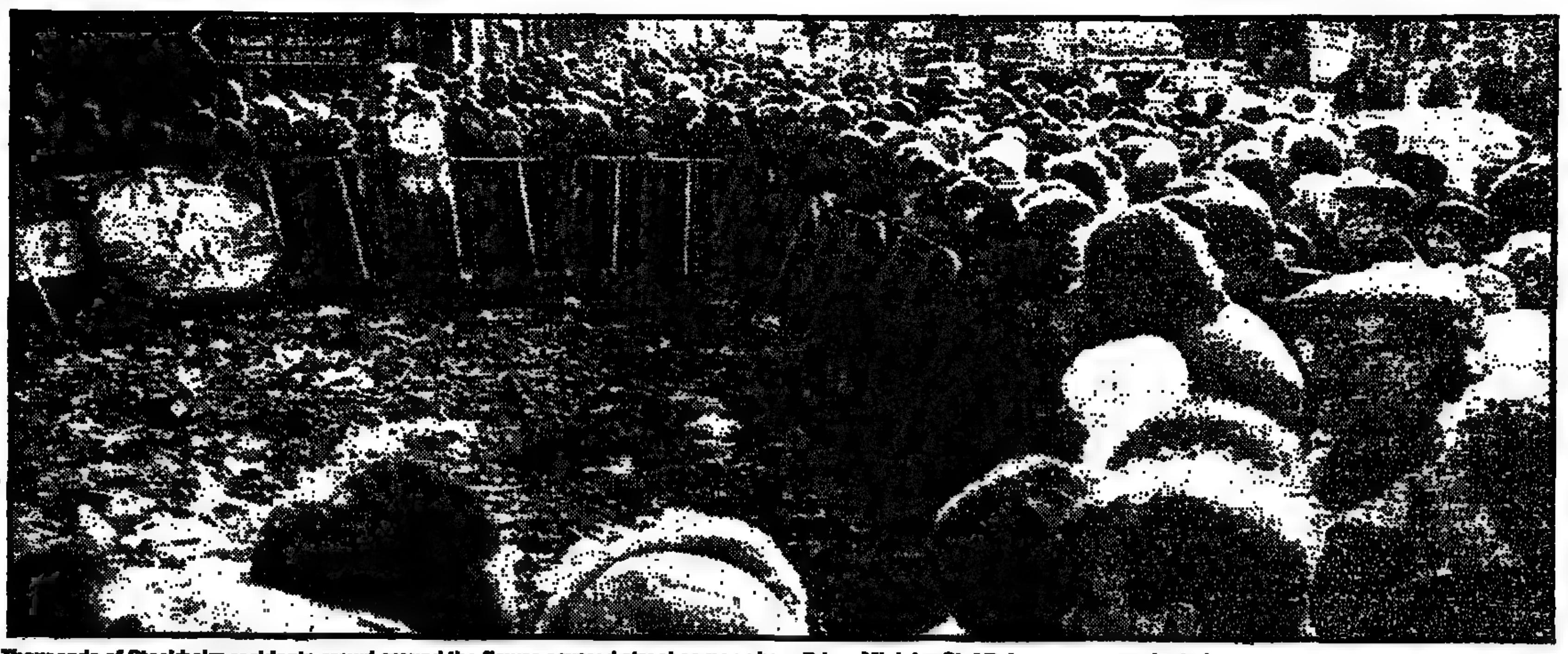
Meanwhile, the Norwegians have been courting Swedish interest in the Haltenbank gas field, which is thought to contain 300-350bn cubic metres. The energy board estimates that Sweden would have to import about 40 TwH's worth of electricity—or 4bn cubic metres of natural gas each year to replace nuclear power.

A recent report by the National Energy Board suggested extending the pipeline across central Sweden as far as Stockholm and Gavle, on the east coast. This would open up the possibility of joining on to the Finnish pipeline and either buying direct from the Soviet Union or from Finland.

Meanwhile, the Swedes have been drilling on their own soil in the hope of finding natural gas, even though the area under investigation lacks the sedimentary rock formations normally associated with fossil fuel finds.

So far, the Dala deep gas project in Central Sweden has only come across traces of natural gas and is regarded with some scepticism—though if huge reserves of gas are discovered, it could solve Sweden's energy problems for the new decades.

Sara Webb



Thousands of Stockholm residents crowd around the flower-covered street corner where Prime Minister Olof Palme was assassinated

The Palme murder hunt

A nationally embarrassing bungle

THE ASSASSINATION of Mr Olof Palme threw Sweden into a state of national shock and grief, but 15 months after the Swedish Prime Minister was shot dead on an open street in central Stockholm, the manner in which the hunt for his killer has been conducted has become a source of national embarrassment.

Swedish police today appear no nearer to finding the assassin than they were in the first chaotic hours after the killing, when Mr Palme was gunned down at close range as he walked home—without any *bodyguard—with his wife from* an evening cinema visit.

Two bullets found during the first 48 hours by casual passers-by at the murder scene, outside the confines of a limited area cordoned off by the police, remain the only concrete leads in the hunt. There is no murder weapon, no motive and no murderer.

By the beginning of February this year the investigation itself had ground to a halt as the hunt degenerated into an embarrassingly public quarrel between the police and the public prosecutor's office over what lines of inquiry to pursue.

The *simmering conflict* between the two law enforcement agencies had already broken into the open once before only a few weeks after the assassination as police suspicions moved heavily against one key suspect.

A man—known in Sweden as "the 33-year-old"—was arrested and charged with taking part in the murder, but within days he had been released for lack of firm evidence.

Mr K. G. Svensson, the senior prosecutor who had worked on the Palme murder investigation from the start, resigned from the case and made startling accusations against the police claiming that the 33-year-old's legal rights had been seriously violated. He said that his position as prosecutor had been compromised by police leading the investigation, and he complained of interference in his work by the Ministry of Justice.

Mr Svensson was replaced by Mr Claes Zeime, the chief prosecutor in Stockholm, but the tensions between the prosecutors and the police led by Mr Hans Holmer, the hard-bitten and controversial Stockholm police commissioner, remained.

It was Mr Holmer who had *assumed direct leadership of* the investigation at the outset, and who had staked his personal prestige on tracking down the killer.

Effectively the number two in the Swedish police hierarchy, Mr Holmer backed from an early stage what came to be *known as the "huvudspar," the* main line of inquiry, which dominated police work for many months, and which sought to link the assassination to the PKK, the Kurdish Workers Party, a Marxist-Leninist group established in Turkey in the 1970s to fight for a free Kurdistan.

Members of this group, branded as a terrorist organisation by the Swedish authorities, have been active in Sweden for several years, and have been found guilty of two previous murders in 1984 and 1985.

The public prosecutor's office appears never to have shared the police's enthusiasm for the PKK line of inquiry, and the conflict of opinion finally boiled over earlier this year, when the police launched an abortive swoop on Kurdish and other suspects.

Three of 20 suspects taken into custody for interrogation in the dawn raids were told they *were suspected of complicity in* the preparation of the assassination, but within hours they had all been released again on the orders of the prosecutors because of lack of evidence. The police were outraged and accused the prosecutors of "sabotaging" the *inquiry.*

The government in the shape of Mr Sten Wickbom, the Justice Minister, had already tried to contain the destructive quarrelling between police and prosecutors, but without success; and finally the government was forced to concede that nothing short of a wholesale change in the leadership of the investigation would suffice to end the conflict.

In early February, as pressures on the authorities grew with the first anniversary of the murder only a couple of weeks away, the Prime Minister himself, Mr Ingvar Carlsson, was compelled to step in with the full weight of the government in an attempt to restore some semblance of order.

In an effort to get the murder hunt restarted Mr Carlsson moved ultimate responsibility for the investigation away from Stockholm to the highest level of the national police force and *the national public prosecutor's* office.

For a couple of weeks confusion remained over the role of Mr Holmer, who became a member of a three-man advisory group to the national Police Commissioner, but in early March he issued his own bitter *resignation claiming* that, "when bureaucracy triumphs over reason I can no longer continue."

In a final attack on the prosecutors he said: "When Sweden's Prime Minister is shot dead on the open street, the prosecutors' only thought is that the investigation must follow normal routines. That is just as clever as trying to climb the Himalayas with methods and equipment based on a hike in Jutland."

New theories for the motive behind the Palme assassination are put forward at regular intervals, but after the PKK fiasco none has attracted particular official support.

Hardly surprisingly a majority of Swedes have already given up hope. According to a recent opinion poll 67 per cent of the population now believe that the Palme murder will never be solved.

Kevin Done

Labour market policies

Strong full-employment drive

TWO PERCENTAGES, 83 and 2.7, illustrate the most distinctive features about the Swedish labour market.

Sweden has an 83 per cent level of participation in employment among people of working age—a very high rate by international standards and one which particularly reflects an exceptionally large number of working women. Assisted by relatively cheap and extensive child-care arrangements, four out of five working age women have jobs.

Against this high rate of participation in the labour market is set the 2.7 per cent figure: Sweden's unemployment rate, which is one of the lowest in Europe. Even in the worst days of 1982-83, when unemployment in Sweden peaked, the rate was only 3.5 per cent.

The 2.7 national percentage inevitably fails to convey the full picture of unemployment in Sweden. Some employees in part-time jobs would prefer full-time posts if they were available.

About 3.5 per cent of the workforce, including disabled people, are engaged in special government schemes outside the conventional labour market. And there are important regional variations—unemployment rates in northern Sweden are five times those of the Stockholm area.

But even with all the qualifications, Sweden's unemployment rate is outstandingly low and has been brought down over the past four years in spite of a growth in the size of the labour force.

Yet there is no complacency about the 2.7 per cent figure. Full employment is a central goal of Swedish economic policy and a widely-held value in society. This, coupled with concern about the impact of unemployment on particular groups and the need for Swedish workers to cope with technological change, has led to a labour market policy becoming an increasingly fundamental element of overall economic policy.

"There is a consensus in Sweden that we should not allow unemployment to rise," says Mrs Anna-Greta Leijon, Minister of Labour in the Social Democrat Government. "But we must not assume that such a consensus will always automatically be there and stop talking about the evils of unemployment. Our unemployment rate has come down, but it is high for the people concerned. We have to do more."

Mrs Leijon set up a long-term planning group in her department to examine the role, direction and scope of labour market policy for the remainder of the 1980s which reported last year. This concluded that general economic policy, education and labour market policy must be more closely interlinked.

Lord Young, the British Employment Secretary, is visiting Sweden this month and, although his government and Mrs Leijon's have different political perspectives, he will discover a number of common priorities.

The report on which the Swedish Government is basing its policy calls for greater adaptability in the labour market, higher priority for training measures, action to tackle a growing problem of long-term unemployment and more efficient use of resources in the public employment service.

It also declares that "perhaps the most important field when it comes to improving the efficiency of the labour market is that of educational policy."

Sweden, like many countries, is engaged in an increasingly anxious debate about the extent to which its schools are or are not meeting the needs of the economy. Unlike Britain, most young people in Sweden remain in full-time education and do not enter the labour market until they are 18.

The Government is currently discussing introducing more practical and vocational elements into the high school curriculum for Sweden's 18-year-olds in an attempt to make them better prepared for work.

A structured approach to labour market policy and the operation of special employment measures has a long history in Sweden. The National Labour Market Board (AMS)—with many of the same responsibilities as Britain's Manpower Services Commission—has existed since 1940, and all employment offices were nationalised in 1948.

Vocational training schemes were developed at the same time, and it is on the basis of these origins that Sweden has expanded its measures for the unemployed during the difficult years of the 1980s.

These measures currently include training for both the unemployed and employees facing changing skill requirements—about 1 per cent of the labour force is in training at any time and during a year about 3 per cent go through such training—temporary jobs in the public sector for unemployed people, and the Government's Youth Teams scheme for the young unemployed.

Under this programme, municipalities are required to provide work—normally part-time—for all 18 and 19-year-olds who have been without employment for at least three weeks. Young people who refuse to join the Youth Teams cannot claim unemployment benefit.

The Government has been trying for several years to persuade employers and union leaders that the private sector should offer places on the Youth Teams progress.

An important priority in Sweden's efforts to hold down unemployment and improve labour market efficiency has been a drive to devise a better employment service.

The employment offices are regarded as the foundation-stone of labour market policy and Mr Allan Larsson, director general of AMS, accepts that in the early 1980s contacts between the employment service and employers were poor, with placement officers having little knowledge of employers' real needs and too much time being spent on administration.

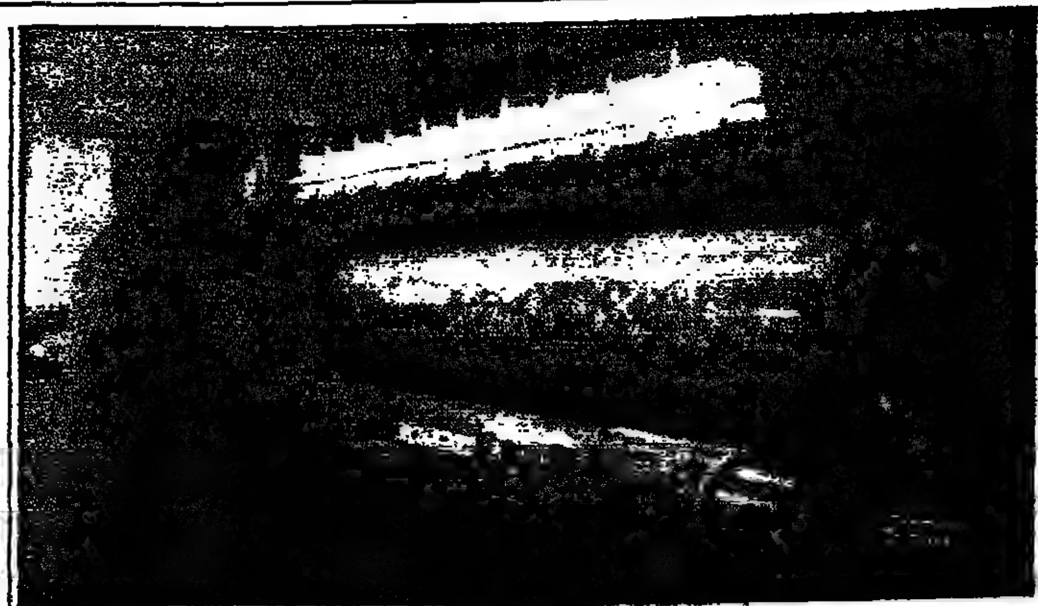
Strenuous efforts have been made since then to bring the service closer to its customers. Personnel have been transferred from administration to customer contacts, and a new goal-setting management structure has been introduced.

The service now takes an average of three weeks to fill a vacancy, compared with six weeks in 1979 and ten in the early 1970s. Extra staff are being recruited to run the employment service and the AMS's counselling, training and special employment measures.

In spite of Sweden's relatively low unemployment rate and strong concentration on labour market policy, the indications are that—like most of its neighbours—it will continue to need special employment measures for the forseeable future.

But the number of people on such measures fell last year while the number in regular employment rose by 40,000, and the percentage of the AMS's expenditure devoted to benefit payments was reduced for the first time in the 1980s.

Alan Pike



Worker checking rollers on a machine for printing milk and juice cartons.

Wage bargaining

Doubts about the system

COLLECTIVE bargaining in Sweden since the 1950s has been based on a system of centralised negotiations between national trade unions and employers' organisations.

Under this system—for long credited with maintaining industrial peace—the national negotiators, if necessary with the help of a mediator, produced a recommended framework leading to detailed agreements at industry level.

Any outstanding issues at company level were then resolved by local managements and union officials and the government stayed out of the whole process, taking the view that collective bargaining was a matter for the two sides of industry alone.

The system held together through the 1970s, even though economic turbulence made it more difficult for governments to stand aside from wage bargaining and Sweden's growing public sector added to the number and range of trade unions and employers' organisations involved in putting together the central agreements.

But the decisive break came in 1983 in the industrial sector—where the principle of centralised negotiations had begun—when the Engineering Employers' Association and Metallbetaren, the Metal Workers Union, concluded a separate agreement outside the central structure.

A second separate agreement in the engineering sector was reached in 1985 and, although the following year the industry returned to a centralised, national two-year agreement, the engineering employers have already made it clear that they will seek another separate agreement when negotiations begin at the end of this year.

The system of centralised negotiations won the initial support of employers in the SAF, the Swedish Employers' Confederation, because they saw it as a means of concluding agreements covering the entire private sector relatively quickly while avoiding disputes.

The LO, Sweden's blue-collar trade union confederation, embraced the system as a means of furthering the policy of wage solidarity—compression of differentials—which it has pursued for many years.

It is a system which, to some extent, had a natural growth point in Sweden's highly-trade unionised labour market. Even though closed shops are banned, some 90 per cent of all employees—and 97 per cent in the industrial sector—belong to trade unions.

But it is apparent that some trade union members, as well as employers, now feel that the narrowing of differentials and lack of flexibility produced by the centralised approach has gone too far. This view is shared by a number of observers of Swedish collective bargaining procedures.

"Strong reasons exist to believe that egalitarian rather than efficiency considerations have influenced the Swedish wage formation process," writes Anders Bjorklund of the Stockholm-based Industrial Institute for Economic and Social Research, in its latest yearbook.

"Most of the wage increases have been determined in central negotiations between the unions and the employers federations. In these negotiations unions have struggled hard to realise one of the aims of the solidaristic wage policy, namely general reduction of wage differentials between industries, firms and individuals.

"Even though the additional wage drift might have been more influenced by traditional market forces, the basic hypothesis remains that the flexibility of the Swedish labour market has deteriorated."

Wage drift is a major factor in Swedish collective bargaining. Central negotiations have not succeeded in restraining real wage increases close to the level agreed under the national recommendations. Between 1967 and 1985 wage drift accounted for some 45 per cent of actual wage increases.

There is agreement among employers and union leaders that the current level of real wage increases, running at around 7 per cent, is too high. The Government, in its efforts to bring down the inflation rate, will be looking for maximum settlements of 3 per cent in the coming wage round.

There are no easy answers on how to reach this goal. It does not necessarily mean the end of centralised negotiations—many employers and trade unionists would like to see retained a reformed version of rather looser national agreements than those in the past.

But Mr Lars-Gunnar Albage, deputy director-general and chief negotiator for the SAF, doubts whether there will be any kind of national framework agreement this year. "If we are aiming at a low, 3 per cent target I think it will have to be negotiated at union-industry level."

The Government remains formally outside the wage bargaining process, but leaves no doubt about its belief in the need to drive down the level of settlements.

The Government has declared an interventionist stance in the public sector, making it clear that wage increases unsupported by improved productivity and efficiency will lead to job losses.

Employee participation has been a central part of Swedish industrial relations since the 1970s, but the latest step along this road—wage earner funds—has become a source of friction between unions and employers.

The LO had been calling for the setting up of funds to promote employee-ownership since 1975, and in 1983 parliament legislated for the introduction of five regional funds the following year.

Each fund has a nine-strong board of directors including five trade unionists. They are financed by a 0.2 per cent payroll tax and 20 per cent of company profits above a certain level, and are intended to be used to buy shares in Swedish companies.

Although the funds have so far had little direct impact, they have drawn stronger criticism from employers than is normal in Sweden's traditionally temperate industrial relations climate. An increasing number of private sector companies are introducing their own profit-sharing schemes, but these attract criticism from union leaders for being an attempt to reach employees outside the established, and in Sweden very extensive, trade union structure.

Alan Pike

PROFILE: SKF

Defending every market

MANY OF Sweden's largest companies have an international eminence in their fields. An outstanding example is SKF, the world's leading bearing manufacturer and Sweden's most international industrial company.

Almost all SKF's sales—96 per cent—are outside Sweden and so is 33 per cent of its production. On the basis of a conscious stand-and-fight policy, the company has held its market share in the face of intensifying international competition and is currently developing a strategy to take more of the US market.

Until the end of the 1970s, SKF had a range of subsidiaries around Europe all serving their own domestic markets. Since then a different structure has been introduced, based on a policy decision to treat Europe as a single market.

Each subsidiary now has responsibility for producing particular products which are marketed throughout Europe. The same decision to eliminate duplication has led to responsibility for various aspects of research and development also being devolved to individual national companies.

In addition, each company manufactures some of SKF's own production machinery—the company makes almost all its own machines, which are not sold on the open market, because managers say they are better than the ones they would otherwise have to buy.

Three new business areas—SKF Bearing Industries, SKF Bearing Services and SKF Speciality Bearings—group similar activities on a worldwide basis.

Efforts by Japanese bearings manufacturers to penetrate SKF's traditional markets led to years of low profitability in the early 1970s. But the company says its decision not to yield to competition in any area of its activities has been vindicated by SKF's position today.

Growth in the bearings market is currently slow—perhaps 2 per cent a year—and price competition remains strong, although sales in the important car market have been improving recently.

SKF group profit for the first quarter of this year was SKr 380, compared with SKr 350m in the same period of 1986. Group sales rose from SKr4.503bn to SKr4.9bn. Last year group capital expenditure, excluding acquisitions, rose above SKr1bn for the first time.

In the increasingly competitive market atmosphere, there has been a growing determination within SKF to work alongside individual customers to the closest possible extent. In the case of a customer such as a motor manufacture, that can be a process of close involvement in new model development lasting several years.

Allied to this is a heavy concentration on research and development—SKF's current research investment amounts to about 2 per cent of sales and this is being increased. The company has embarked on a programme to recruit at least 250 graduates worldwide for each of the next six to eight years to strengthen its skill base and provide it with senior management for the future.

SKF management under M Mauritz Sahlin, managing director, has a determined policy of gaining the most dominant possible position in all the group's central market activities. To this end, a drive is under way to expand SKF in the US market which, compared with Europe, remains highly fragmented—it takes 18 bearings companies to cover 60 per cent of the market, with another 40 fighting for the rest.

A. P.

Steel industry

Facing restructuring

SVENSKI STAL (SSAB), Sweden's largest steel producer, is set for another painful restructuring exercise of the type which has become such a common feature of the European steel industry in recent years.

The company, in which the Swedish government has a majority stake, has announced a closure programme which will cost 2,200 jobs—15 per cent of its workforce—over the next three years. Behind the closure proposals are a drive by a new management to focus SSAB's activities on more narrowly-defined market activities, and a plan to take the company to the stock market in the next few years.

SSAB was formed in 1977 from an amalgamation of Sweden's three largest general steelmakers. A restructuring following the amalgamation led to a 25 per cent reduction in capacity to just over 3m tonnes and a 20 per cent cut in the workforce.

The international pressures of the steel industry have continued to afflict the company, however, and in November the government brought in a new management under the chairmanship of Mr Bjorn Wahlstrom—a former president of SSAB to plan remedial action.

At the same time Electrolux, a minority SSAB shareholder, sold its investment to the Government and a consortium of Swedish insurance companies and pension funds took a 33 per cent stake. The Government, for its part, agreed to the company's stock market flotation by 1993. If it does not take place the Government will be required to find other buyers for the private sector's 33 per cent holding or buy back the shares itself.

The rationalisation plan produced by Mr Wahlstrom and his management would concentrate SSAB's output on strip mill products and associated activities. It is intended to invest more than SKr 1bn in these core functions. Some other activities which the management considers support the core business—such as its heavy plate division at Oxelosund and its long and heavy product range at Lulea—would also survive.

But the plan also involves the closure of SSAB's iron ore mines at Grangesberg and Dannemora, its electric arc furnace for making steel from scrap, the Morgan works at Domnarvet which produces wire rod and reinforcement bars, a light section mill at Lulea and a hot strip mill at Surahammar.

In terms of numbers, the job losses involved in the programme are not great compared with many that have been suffered in the European steel industry. But the impact which they will have on the communities involved will be dramatic.

Mining activities at Dannemora and Grangesberg dates back many centuries, and the steel industry dominates employment in the towns. The company's closure proposals have already attracted illegal industrial action in SSAB, and union leaders are resisting them furiously.

The Swedish Industry Ministry has been conducting an investigation to see whether any production at the mines can be continued. SSAB management has stressed to Government officials that its aim is to secure the economic base of the company, and that it would not accept new state subsidies to keep open mines which it considers to be uneconomic.

The company is satisfied that it will be around SKr 100m a year cheaper to import iron ore than keep the mines open. Some form of Government intervention, however, remains possible.

SSAB management's plans are motivated by the view that the company must follow capacity and productivity initiatives in the EEC steel producers in order to remain competitive. The company exports about half of its output. An urgent imperative is to increase its share of the Swedish and wider Nordic market.

Mr Wahlstrom says that while he accepts that restructuring will be difficult and painful, there can be no escaping reality. "Unless we pursue the course of action proposed in the plan, we will soon find ourselves in a situation where no job within SSAB will be safe."

SSAB has reported a SKr 893m pre-tax loss for 1986 after making provision for the proposed cost-cutting measures. But it is estimated that if the restructuring plan takes effect it will raise the company's profitability by about SKr 500m a year.

Meanwhile, Avesta and Sandvik, special steel producers, have been subject to dumping allegations for their activities in the US. A group of US special steel companies first filed an anti-dumping complaint against the two companies in October, and last month a second allegation that Avesta and Sandvik's steel had been subsidised by the Swedish Government was upheld by the US Commerce Department.

Sweden, which has been criticised in the US for not complying with the administration's programme of voluntary export restraints, argues that exports have declined anyway because of falls in the dollar.

Alan Pike

Stockholm

Close-knit business community

SWEDES SOMETIMES contrast the capital Stockholm with Gothenburg, the second largest city, by pointing out that whereas Gothenburg openly faces west, Stockholm looks east—sheltered on its archipelago at the point where Lake Mälaren meets the Baltic.

That is not to say that Stockholmers shun American or Western cultural influences—in fact the Swedes as a general rule seem eager to lap these up—but the city does still retain a certain insularity and the sheltered atmosphere of a small town.

Shop windows generally lack imaginative displays and in some cases are almost Eastern European in appearance. Its business community is closely-knit and the same names who went to school and university together invariably crop up later in the same board room photographs.

In Sweden, companies are commonly married to geographical areas. Thus the name of Gothenburg, the second largest city in Sweden, is inextricably linked with that of the automobile giant Volvo, as well as with SKF, the world's leading roller bearing manufacturer, and Götabanken, the country's fourth largest publicly-quoted bank.

Saab-Scania, the aerospace and automotive group, has its home in Linköping, while Asea, the electrical engineering group, is based in Västerås to the west of Stockholm, and Pharmacia, the biotechnology and pharmaceuticals group, is based in the university town of Uppsala where it can tap the ideas of local scientists.

The weapons industry—or more specifically, Bofors—is centred in Karlskoga, while the construction giant Skanska is based in Malmo in southern Sweden.

Many of the big names in industry made their homes outside the capital, Stockholm. By and large, they are content to stay that way, as they are crucial employers in their particular regions. Yet more and more have found that it is necessary to keep an office—or establish some sort of presence—in the capital.

Stockholm, after all, is the administrative hub of Sweden, and home to more than half the country's businesses including names like Electrolux, the white goods manufacturer, Ericsson, the telecommunications and electronics group, and Skandia, the leading insurer.

It is also—as one would expect—the heart of Sweden's financial world though interestingly, of all the foreign banks which gained entry to the Swedish market, the Norwegian bank Den Norske Creditbank, decided to set up in Gothenburg rather than Stockholm, chiefly so that it could reduce its start-up costs and concentrate on regional business.

The cost of hiring qualified staff and renting office space is considerably cheaper in Gothenburg than in Stockholm. The recent blossoming of the Swedish financial markets means that qualified and experienced staff are in short supply and swiftly headhunted.

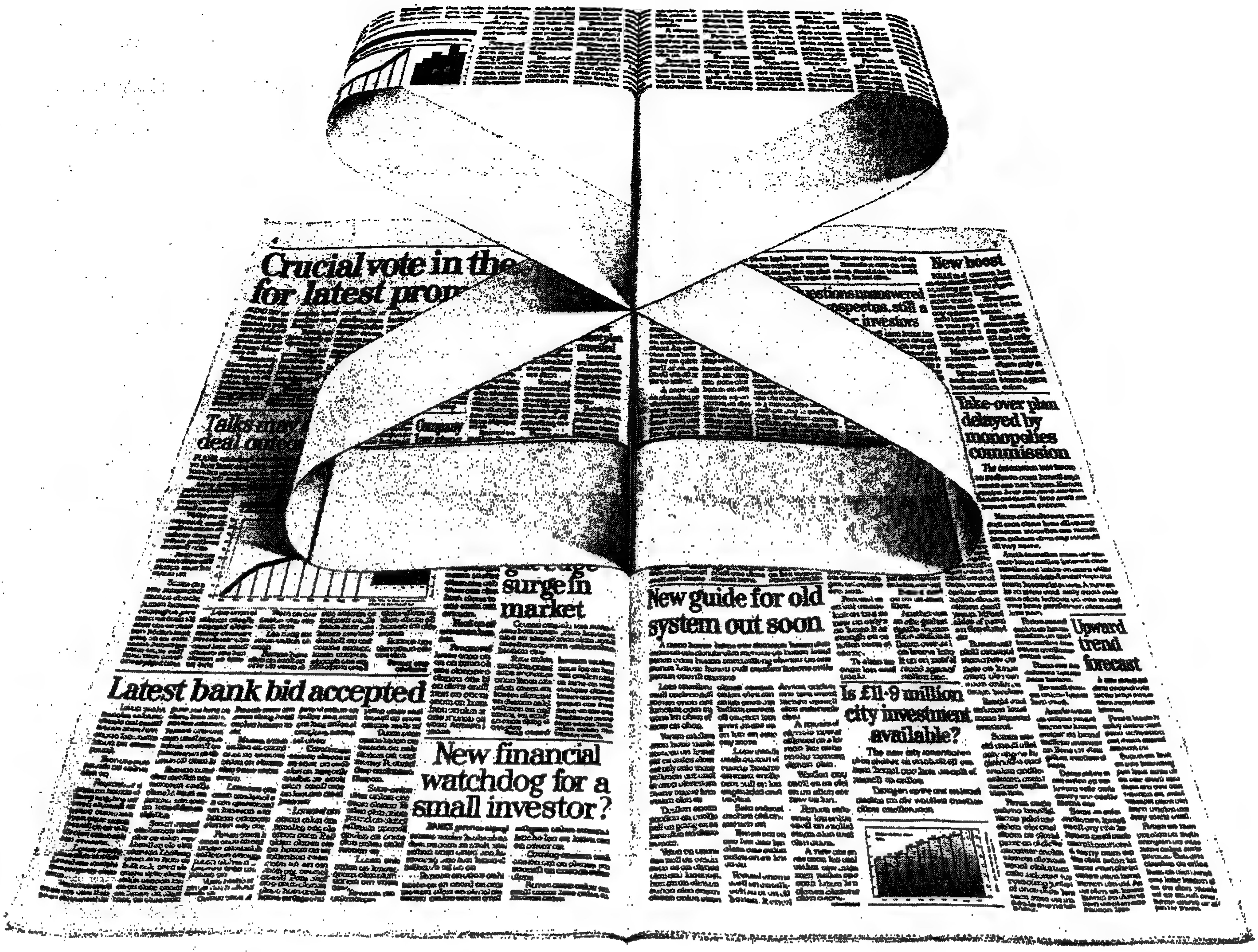
Rents in central Stockholm have increased sharply over the last year and real estate prices rose by up to 30 per cent in 1986. Demand for housing has surged—swelled by young people and immigrants who mostly come from Iran, Iraq, Yugoslavia, Turkey, Poland, Rumania, Ethiopia and Chile. More than 120,000 people are on the waiting lists for accommodation.

It is a characteristic of most capital cities that the young flock there in search of jobs and excitement and Stockholm is no exception. Unemployment is lower than in the rest of the country, while excitement for Stockholm's yuppies often means queueing outside the "in" places in temperatures of −30 deg C. Stockholm has become the sort of place where newspapers can safely list the favourite eating places for certain sets of young professionals.

Over the last five years, the population of the Stockholm area increased by 50,000 due to immigrants and people moving from other parts of the country. Between 1990 and 2020, the area's population is expected to increase by 260,000 to 1.875m. By comparison, the total population of Sweden is just over 8m.

About 20 per cent of the population in Stockholm is involved in industry, compared with 30 per cent in the rest of the country, and 55 per cent of the Stockholm population is in the service sector, compared with 47 per cent in the rest of Sweden. In future, the new jobs are likely to be in the service and high-technology fields, with the latter concentrated in the Kista area—which is Stockholm's version of Silicon Valley.

Sara Webb



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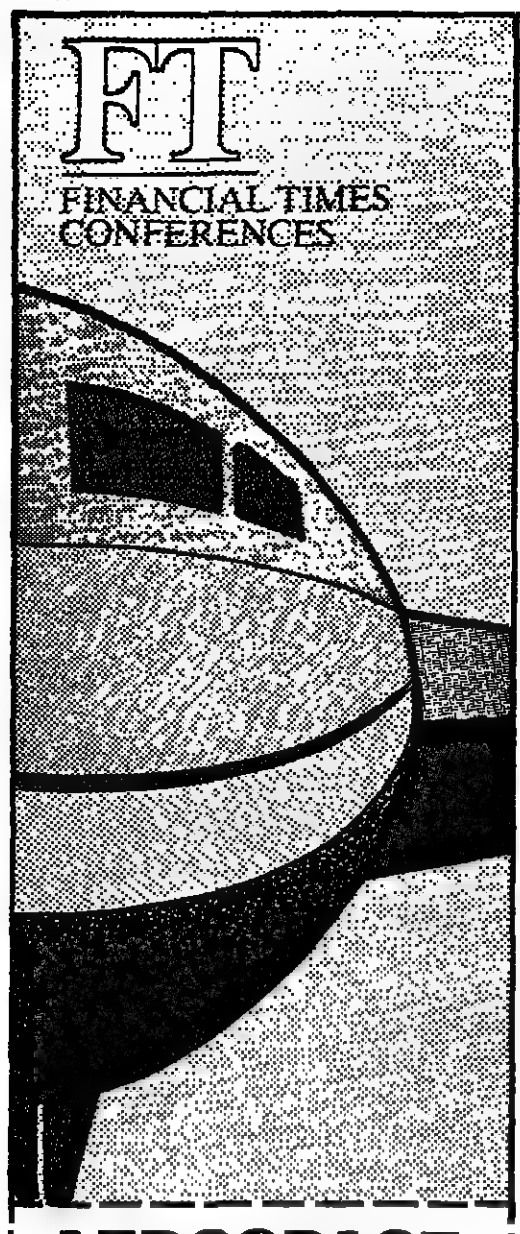

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A FINANCIAL TIMES SURVEY

NORWAY

1 JULY 1987

The Financial Times proposes to publish a survey on Norway on 1 July 1987. Norway is experiencing a period of economic and political turmoil as it seeks to come to grips with its worst economic crisis for many years. The minority Labour Government led by Mrs Gro Harlem Brundtland has managed to hold on to office for more than a year thanks to the disarray among the non-socialist parties, but a further period of political instability is inevitable with two-and-a-half years before the next General Election and the absence of a stable majority in the Storting.

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For more information about advertising in the Norway Survey and a copy of the synopsis, contact:

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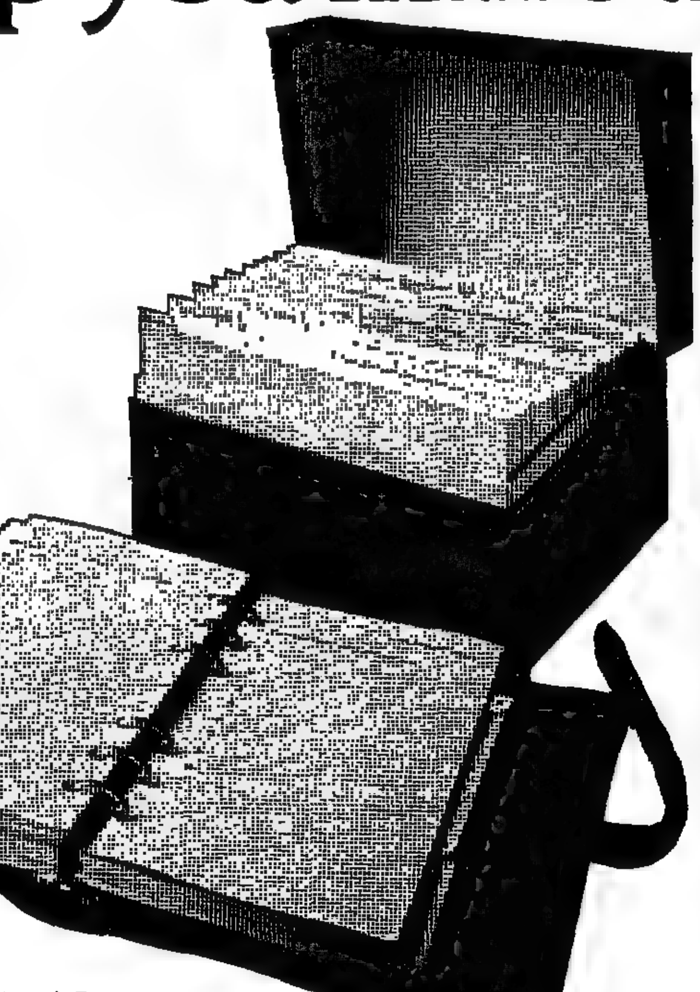

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Tabs – numbered 1-9. Each contains:–
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Business Gifts. Personal Gifts. Business Christmas Cards
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Analysis. Graphs/Metric. Graphs/Inches. Logarithmic Scales
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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday May 22 1987

RENAULT SAYS SALE OF STAKE EXPECTED SOON

Boost for AMC deal

BY PAUL BETTS IN PARIS

THE SALE of Renault's 46 per cent stake in American Motors Corporation (AMC) to Chrysler is expected to be completed in August, the French state-owned car group said yesterday.

Renault also indicated that the main obstacles holding back the agreement had now been cleared after the approval by the Chrysler, AMC and Renault boards during the last 24 hours of Chrysler's revised buyout proposals to AMC's small shareholders.

However, the agreement must still be ratified by AMC shareholders, as well as secure approval of the French, US and Canadian authorities since AMC owns a major new plant in Ontario. Renault expects this will take until the end of July or early August. Until then, the French state group will retain management control of AMC which will then be handed over to Chrysler. The US car maker is widely expected to drop the name AMC when it finally takes the company over during the course of the summer.

Renault announced last March that it was withdrawing from the US market after signing a letter of intent with Chrysler to sell its stake in AMC to the Detroit car maker. However, the agreement was subsequently held up over Chrysler's buyout offer to AMC small shareholders. Chrysler initially offered $4 a share to these investors in a total package worth $757m. This was rejected by the AMC board, which has now accepted a revised Chrysler offer of $4.5 a share or a total of $830m.

Renault, however, indicated yesterday that the main points of its financial agreement with Chrysler over the sale of its 46 per cent stake in AMC had not been altered. Under this agreement Renault is expected to be paid between $217m and $567m for its shares and bonds in AMC under a complex five-year formula. Moreover, Renault expects to earn between $85m and $200m in additional royalties from Chrysler on the sale of the intermediate size saloon known as the Premier, which AMC is launching on the American market this year. At the same time, Renault expects to export from France between $3bn and $5bn worth of components to Chrysler over the five-year period of the agreement.

Chrysler is due to pay Renault $200m for the French group's bonds in AMC when the final agreement is signed this summer, either in cash or in the form of 10-year bonds at Chrysler's option. It will also receive $17m from Chrysler for its stake in American Motors Financial Corp. The amount Renault will ultimately receive for its AMC shares will be based on the level of Jeep and Premier sales from the beginning of this year to the end of 1991. This involves a sum of up to $350m at current prices.

Renault, which sank $650m in its AMC investment, confirmed yesterday that AMC planned to halt in the next few weeks production of the Alliance, the American version of the Renault 9, and that it no longer intended to export to the US its Alpine GTA sports car. However, under the Chrysler agreement, the Medallion, the American version of the Renault 21 built in France, will continue to be sold in the US, but without any fixed volume obligations on the part of Chrysler.

Chrysler, however, has agreed to sell at least 300,000 new Premiers built in the Canadian plant for which it will pay royalties to the French car group.

Mitel near achieving break-even level

By Bernard Simon in Toronto

MITEL, the loss-making Canadian telecommunications equipment maker acquired by British Telecom (BT) last year, has approached break-even point in operations but continues to pay heavily for past mistakes.

Losses before taxes and extraordinary items fell to C$1.5m ($1.15m) in the 12 months to March 27, from C$81.5m a year earlier. But net losses for the year were C$80.5m, or C$1.09 a share, compared with C$160.2m, or C$4.12, in the fiscal year 1986. Revenues rose from C$413.2m to C$453.4m.

Extraordinary and unusual losses, stemming mainly from a stringent rationalisation of manufacturing capacity and other housecleaning measures since the BT takeover, were virtually unchanged at C$69.9m.

Mr Anthony Griffiths, chief executive officer, said that the positive impact of recent changes was reflected in a drop in sales costs from 65 per cent of sales to 54.3 per cent. A 25 per cent fall in inventories contributed to a quadrupling in cash flow before financing charges to C$42.1m.

Last year's revenue increase was due largely to strong sales of the digital SX-200D PBX system, as well as improved demand for semiconductors and higher shipments of the large SX-2000 office switch.

Mr Griffiths sounded a cautious note by pointing out that sales since the end of the fiscal year were below expectations. He ascribed the setback to changes in product mix and a temporary difficulty in satisfying growing demands for new products.

Mitel, which expanded rapidly in the 1970s and early 1980s under its previous flamboyant management, has recently closed plants in Puerto Rico and Hong Kong and plans to shut an Ontario factory later this year. The company's workforce has been trimmed by more than 1,000 in the past two years.

W. GERMAN LUXURY CAR MANUFACTURER FORECASTS STRONG GROWTH

BMW turnover rises by 11%

BY ANDREW FISHER IN MUNICH

TURNOVER of BMW, the West German luxury car maker, rose by 11 per cent to DM 6bn ($3.4bn) to mid-May this year, outstripping the rise in production and unit sales, said Mr Eberhard von Kuenheim, the chairman.

He said BMW hoped to maintain this level of increase at the parent company over the whole year, to give a likely total of DM 16.5bn, as well as growth of about 5 per cent in production and unit sales. Last year, parent turnover rose by 5.2 per cent to DM 15bn, with a 3 per cent fall to DM 17.5bn in the group figure due to the firmer D-Mark.

The sharp rise in turnover in the first 4½ months over the same period last year mainly reflected BMW's greater concentration on higher priced models, notably the new 7-series introduced last autumn.

"This car at the top of the BMW range was far outselling the company's ability to produce it," said Mr von Kuenheim.

He would not forecast the likely level of 1987 profits, after a rise in parent company net income – BMW does not give a group figure – from DM 300m to DM 337.5m last year.

He said the overall economic situation had become less buoyant and expressed concern about rising protectionist sentiment in the US, where BMW sells a fifth of its output.

The protectionist theme was one which Mr Werner Breitschwerdt, chairman of Daimler-Benz, also alluded to at the company's press conference this week.

Mr von Kuenheim said the protectionist threat was a greater problem for BMW than the fall in the dollar, which has seriously affected German exporters to North America.

Noting that the West German economy was ending several years of solid growth, he said BMW would be sad if profits in this or coming year showed a drop but would still turn in a good performance.

Mr Volker Doppelfeld, the finance director, added, however, that BMW was not expecting a fall in 1987. Last year, parent company earnings per share fell from DM 47 to DM 39 as a result of dilution through a capital increase but were maintained if this was allowed for.

Group earnings per share were higher than those of the parent but down on the previous year, Mr Doppelfeld added. He gave no figure, but analysts have forecast around DM 60 a share against DM 64 in 1985. BMW is paying a maintained DM 12.50 dividend.


Mr Eberhard von Kuenheim: hoped to maintain increase

The company's chief shareholder is the Quandt family, with over 60 per cent. Asked about reports of interest by foreign car groups, Honda of Japan being the most recent, in buying into BMW, he said the Quandts had shown no intention of selling.

Mr von Kuenheim said the company would continue to invest heavily to modernise its plants and develop new models. In 1986, group capital spending rose from DM 1.4bn to DM 2.2bn, with considerable investment in the new plant at Regensburg, as well as in the factories in Munich and Dingolfing, all in Bavaria.

So far, BMW has invested over DM 900m in Regensburg, he said. A second shift would be introduced there this autumn or winter. The company sells nearly 70 per cent of its total output abroad.

Mr von Kuenheim said the German car market eased in the first three months of the year, with last December having seen a surge, while cars with catalytic converters still enjoyed tax advantages. But April had shown a big rise at BMW.

In Japan, where BMW is the largest selling importer, sales rose by 50 per cent in the first quarter. But it expects sales there for all of 1987 to total about 20,000 cars

BCI to spin off subsidiary

By David Owen in Chicago

BCI HOLDINGS, which last year took private Beatrice Companies, the food and consumer products conglomerate, in a $6.2bn leveraged buyout, is to split its sole subsidiary into two companies via an initial public offering for its remaining non-food businesses and some specialty food lines.

The offering is expected to comprise 36m shares at up to $18 a share, giving it an indicated value of up to $648m.

The new public company, to be called E-II Holdings, will consist of 15 operating companies, including Stiffel Lamps, Samsonite luggage and the Culligan water softener business. BCI estimates that the units concerned accounted for about 20 per cent of the fair market value of the company assets at the end of its fiscal year in February.

E-II will be headed by BCI chairman, Mr Donald Kelly, a former chairman of Esmark before its acquisition by Beatrice in 1984 and a deal maker of some repute. Mr Kelly is expected to have a $1bn acquisitions war chest at his disposal.

The private food firm, which includes Hunt-Wesson Foods, Eckrich and Swift meats and Tropicana fruit juice, will be headed by Beatrice president Mr Frederick Rentschler.

Since last April's leveraged buyout, BCI has sold subsidiaries worth $3.4bn to reduce debt.

More International company news on Pages 30, 33, 34 and 49

Electrolux advances 5% to SKr 624m

BY SARA WEBB IN STOCKHOLM

ELECTROLUX of Sweden, the world's leading household appliances group, has reported a 5 per cent increase in profits even though sales surged 71 per cent in the first quarter.

Profits (after financial items) rose to SKr 624m ($100m) against SKr 593m in the first quarter of 1986. Both earnings and sales were adversely affected by the further decline in the dollar, Electrolux said.

Sales totalled SKr 15.57bn compared with SKr 9.12bn the previous year and were boosted by Electrolux's recent acquisitions, including White Consolidated Industries, Zanussi, Poulan/Weed Eater and Gotthard Nilsson.

Mr Anders Scharp, Electrolux chief executive, said that Zanussi's earnings, productivity and margins continue to show improvements and that the Italian white goods manufacturer was expected to earn a return on a par with the group average by the end of 1987. Electrolux is investing SKr 1.5bn in two production plants – for refrigerators and freezers, and for washing machines – in order to increase production capacity.

Production facilities at White Consolidated are being restructured, and earnings are expected to reach $150m, up $100m on the 1985 figures, by 1988.

Telefonica to launch risk capital venture

BY DAVID WHITE IN MADRID

COMPANIA TELEFONICA Nacional de España, the partly state-owned Spanish telephone monopoly, yesterday announced plans to launch a risk capital venture bringing in private-sector shareholders and aimed at developing advanced-technology industries.

Mr Luis Solana, chairman, said the venture would start with a low initial capital but that Telefonica would seek participation from its bankers and that the company would probably be floated on the stock market.

The plan is part of Telefonica's expansion policy following a period of financial restructuring. Mr Solana said the company was in a position to become the locomotive, not only of telecommunications, but of the whole Spanish electronics sector.

Planned investments in the four years to 1990 amount to Pta 1,280bn ($10bn).

Telefonica is currently planning a share placement in the US of approximately $300m, which Mr Solana said would be the largest ever operation by a foreign company in the US market. According to its prospectus, the application of US accounting practices would raise its declared 1986 net profit from Pta 45.2bn to Pta 105bn.

Fiat buys out Nissan stake in Arna model

By Alan Friedman in Milan

FIAT has bought out a 50 per cent shareholding owned by Nissan of Japan in a joint venture with Alfa Romeo to manufacture the Arna model.

Fiat did not disclose the purchase price for the 50 per cent Japanese holding in the loss-making Arna plant at Avellino, near Naples. The Turin-based company obtained its own 50 per cent stake at the start of this year when it took control of Alfa Romeo.

The Arna venture has been a commercial disaster. Only around 50,000 Arnas (a version of the Nissan Cherry saloon) have been produced each year since 1983. The car has not sold well in the Italian market. The venture was set up originally in 1980.

Pickwick share offer meets big demand

BY RICHARD TOMKINS IN LONDON

THE OFFER for sale of shares in Pickwick, the UK record company seeking a listing on the London Stock Exchange, yesterday became the latest share offering to have been massively oversubscribed amid a wave of public enthusiasm for new issues.

Pickwick's offer of £8.5m ($13.6m) worth of stock closed yesterday morning with at least 90,000 applications chasing about 350m shares – more than 50 times the number available. The allocation will be announced today. Heavy rationing is inevitable.

The level of subscription is on a par with the response to the £4.9m offer for sale of shares in the British specialty retailer Sock Shop earlier this month, which was 53 times subscribed. Last Tuesday's £3.9m offer of shares in Computer People, the computer staff agency, closed 21 times subscribed.

This month has also brought the heavy oversubscription of the far bigger Rolls-Royce offer for sale, in which more than 2m people put in applications for nine times the £1.36bn worth of shares available – a far bigger response than had been expected.

"It's stag mania," said one merchant bank. "The new issues market has gone mad. The public now perceives offers for sale as nothing more than a means of making a fast buck."

Public interest in new issues has been stimulated by a combination of recent strong rises in the stock market and by the high premiums attracted by government privatisation issues, which have put large profits in the hands of a wide section of the population.

At the same time, the number of offers for sale has been reduced by changes in the new issue rules, which have made it easier for companies to come to the London stock market through placings of shares with institutional investors.

This has increased people's hunger for the remaining share offerings.

Some merchant banks are concerned about the effects which privatisation issues are having on the new issues market generally. "The public does not seem to understand that smaller issues are a very different story," said one.

"These tremendous responses to relatively small issues inevitably lead to a great deal of disappointment in the allocation."

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13¼% Notes Due 1989

NOTICE IS HEREBY GIVEN to the holders of the outstanding 13¼% Notes Due 1989 (the "Notes") of Rockefeller Group International Finance N.V. (the "Company") that pursuant to the provisions of the Indenture dated as of June 21, 1984 among the Company, Rockefeller Group, Inc. and Bankers Trust Company (the "Trustee"), and the terms of the Notes, the Company has elected to redeem on June 21, 1987 all of the outstanding Notes. The redemption price is 101¼% of the principal amount thereof plus accrued interest thereon to the date of redemption.

Payment of the principal and accrued interest will be made on and after June 22, 1987 (that being the first business day on or after June 21, 1987) against presentation and surrender of the Notes and any coupons appertaining thereto. Payment will be made in U.S. dollars, subject to applicable laws and regulations, either (a) at the office of the Trustee in The City of New York (the "U.S. paying agent"), or (b) at the offices of Banque Indosuez Belgique (Formerly Banque du Benelux S.A.) in Brussels, Bankers Trust GmbH in Frankfurt/Main, Bankers Trust Company in London, Banque Internationale a Luxembourg S.A. in Luxembourg, Bankers Trust Company in Paris and Swiss Bank Corporation in Basle (each a "non-U.S. paying agent"). The Notes in bearer form, and coupons appertaining thereto, may be presented for payment only at the offices of a non-U.S. paying agent. Payments at the offices of non-U.S. paying agents will be made by a United States dollar check drawn on a bank in The City of New York, or by a transfer to a United States dollar account maintained by a payee with a bank in The City of New York.

Commencing June 21, 1987 the Notes will no longer be outstanding and interest on the Notes will cease to accrue.

Any payment on the Notes made by (a) the U.S. paying agent, or (b) a non-U.S. paying agent by transfer to an account maintained by a payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 20% if the payee fails to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalties of perjury as to the payee's taxpayer identification number (employer identification number or social security number, as appropriate) and, if applicable, that the payee is exempt from backup withholding. Additional information reporting and withholding requirements may apply under non-U.S. laws to payments on the Notes. It is recommended that you consult with your own tax advisor as to the consequences of the redemption of your Notes, including certifications to complete when presenting your Notes for payment.

by Bankers Trust Company as Trustee

May 15, 1987

Premier Group income soars to R153.9m

BY OUR FINANCIAL STAFF

PREMIER GROUP, the South African foods producer indirectly controlled by Anglo American, boosted pre-tax profits 75.3 per cent in the year to March to reach R153.9m ($77.5m).

This was achieved during a period when, according to Mr Tony Bloom, the chairman, "continual industrial unrest and absenteeism played havoc with production targets, as did consumer boycotts by customers."

Turnover at Premier, which is involved in retailing as well as grain milling, moved up 17 per cent to R2.89bn. The total dividend is being lifted to 105 cents from 86 cents, paid from net earnings per share of 232.5 cents against 162.2 cents.

Profits at its core Premier Foods division were substantially in excess of expectations while the group's investment in South African Breweries also paid returns.

Premier said it expected higher earnings overall this year, provided the country experienced "relative political stability and reasonable industrial relations."

Mr Bloom went on to claim that the adoption of an anti-government political profile had helped protect its export markets since the imposition of limited Western sanctions against the country.

AG Group boosts capital to safeguard ownership

BY TIM DICKSON IN BRUSSELS

THE AG Group, Belgium's leading insurance company, appears to have secured itself against the attentions of unwanted predators. But the fate of Royal Belge, the other leading company in the sector where Axa of France and Groupe Bruxelles Lambert (GBL) both have substantial stakes, is this week still hanging in the balance.

Axa, in fact, has displayed its interest in the Belgian insurance industry by buying shares in both groups but more recently has concentrated its energies on Royale Belge.

The result has been that this week AG announced a capital increase which seems designed to ensure that a majority of the shares remain in friendly hands.

At Royale Belge, meanwhile, the position is expected to become clearer after the annual meeting on May 27. The battle at this stage is between Axa, which has at least a 25 per cent stake and possibly up to 41 per cent, and GBL which is thought to control at least 25 per cent.

INTL. COMPANIES AND FINANCE

Schindler plans to raise SFr 210m

By William Dullforce in Geneva

SCHINDLER, the Swiss lift manufacturing group, plans to raise up to SFr 210m ($145m) in new participation certificate capital to buttress an ambitious diversification programme.

Mr Alfred Schindler, chief executive, said the diversification was designed to add close to SFr 1bn in stages to group sales which reached SFr 1.86bn in 1986.

The annual general meeting on June 15 will be asked to authorise the issue of 300,000 participation certificates at SFr 100 par with no purchase option for shareholders.

Instead, shareholders will receive free issues of one warrant per registered share and participation certificate and five warrants per bearer share. Twelve warrants will entitle holders to one new participation certificate at a price of SFr 700.

Schindler had SFr 650m in liquid funds but the new equity capital was needed to reach its diversification goal faster and without sacrificing expansion in the lift and escalator sector, Mr Schindler said.

The capital increase is coupled with the previously announced proposal to raise for the first time in seven years the dividend for 1986 from SFr 12 to SFr 15 per registered share and participation certificate and from SFr 60 to SFr 75 per bearer share. The dividend payment in real terms would be merely restored to the 1975 level.

Consolidated net earnings climbed by 5 per cent to SFr 48.7m in 1986, generated entirely from the Core lift, escalator and rolling stock business.

Since 1979 Schindler, the world's second largest lift manufacturer after Otis of the US, has fought through acquisitions to maintain and expand its share of a stagnant SFr 7bn a year world market for lifts and escalators.

Simultaneously it has consolidated lift and escalator production by closing or selling 10 manufacturing units. Further closures in West Germany and Italy this year will complete the process.

The group has now been reorganised into two divisions, one of which will look for activities outside lifts and escalators and aim eventually to provide about one-third of total turnover.

Holmes à Court emerges as mystery buyer of Texaco stock

BY WILLIAM HALL IN NEW YORK

MR ROBERT Holmes à Court, the Australian financier, has emerged as the mystery buyer of Texaco shares, the beleaguered US oil giant, and disclosed that he had spent close to $500m acquiring a 6.4 per cent stake in the company.

The confirmation of Mr Holmes à Court's interest in Texaco comes just over five weeks after Texaco, and two of its finance subsidiaries, filed for protection of the US bankruptcy courts. This was done to prevent the company being crippled by a massive damages award which threatens its long-term survival.

There have been persistent rumours in recent weeks that a corporate predator had been buying shares in the company. The shares have risen from a low of $28½, immediately after the bankruptcy filing on April 12, to a new post-bankruptcy peak of $37½.

The Australian financier has already sent a letter to Mr James Kinnear, Texaco's chairman, in which he states that the shares have been purchased for investment purposes.

"Our assessment is that the market has over-reacted severely in devaluing Texaco stock to current market levels, and that the intrinsic value of Texaco's assets is substantially higher," Mr Holmes a 'Court said.

Texaco issued a brief statement acknowledging the presence of its new shareholder: "We assume he shares the view expressed by others that Texaco's assets are at present undervalued and the stock is a good long-term investment."

Mr Holmes à Court's purchase of 15.5m Texaco shares at prices ranging from $30.375 to $37 per share, between April 23 and May 19, was disclosed in a filing with the US Securities & Exchange Commission (SEC) by a group of companies which he controls.

CDF-Chimie in talks with rival

BY GEORGE GRAHAM IN PARIS

CDF CHIMIE, the French state-owned chemicals group, is holding talks which could lead to it taking over control of La Grande Paroisse, another French chemicals concern.

The two companies are discussing rationalising their fertiliser operations which could end in CDF Chimie transferring its assets in the sector to La Grande Paroisse.

This would take majority control of La Grande Paroisse away from Air Liquide, the multinational industrial gases group which controls 65 per cent.

Both companies have made heavy losses in their fertiliser businesses in recent years, and CDF Chimie has recently embarked on a restructuring plan, under its new president, Mr Serge Tchuruk.

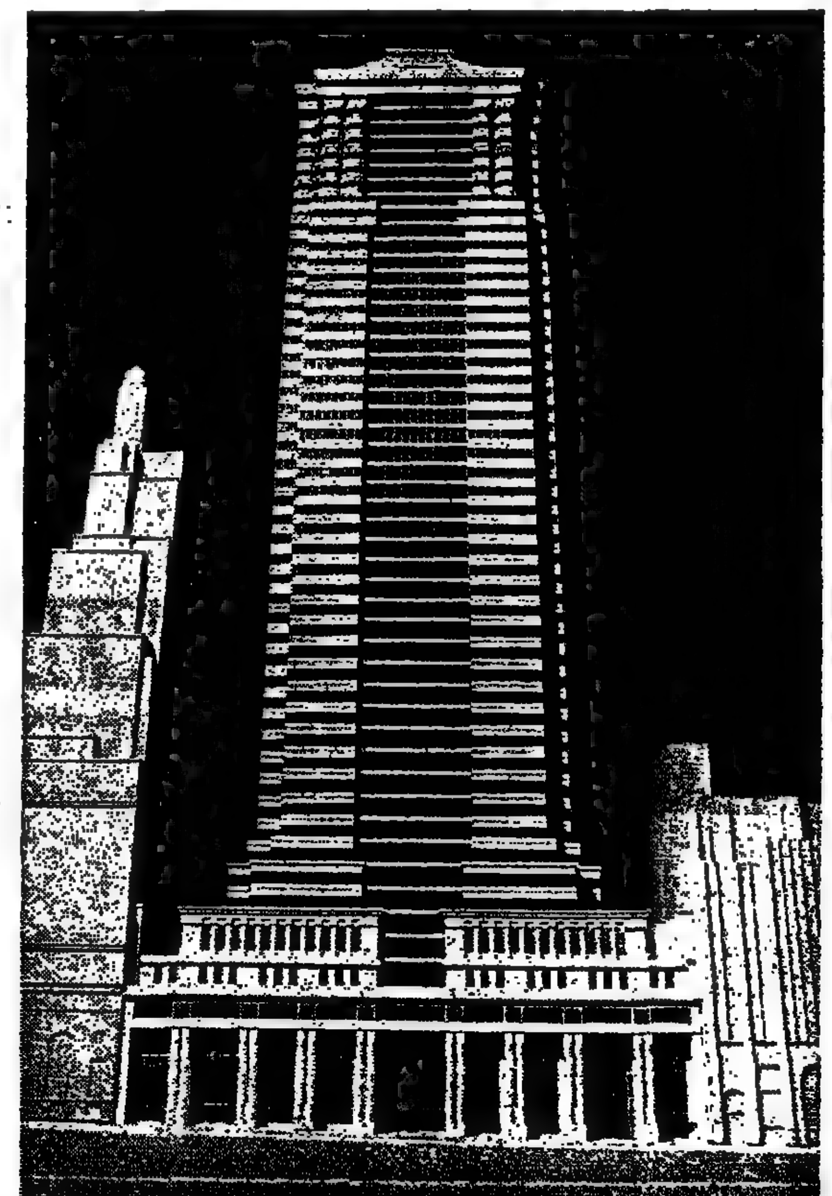
CDF Chimie aims to withdraw from the manufacture of phosphates and to rationalise nitrate production. It has already sold two plants to Cedest, part of the Wendel/CGIP group.

La Grande Paroisse made losses of FFr 38.5m last year, compared with profits of FFr 5.1m in 1985.

Losses at CDF Chimie, which was recently split off from the state-owned coal mines Charbonnages de France, amounted to FFr 2.6bn ($440m) last year, including exceptional restructuring costs of FFr 2.1bn.

"The techniques change. The principles don't."

Combining capital strength with global financing, advisory, trading, and investment skills, J.P. Morgan continues to innovate to serve our clients better. Yet the principles that guide us in today's integrated, technology-driven financial markets haven't changed in 125 years.
In everything we do we put the client's interests first, a way of doing business that produces impartial, objective advice on any matter, however confidential. Many years ago J.P. Morgan himself said it best: "The client's belief in the integrity of our advice is our best possession."



Change linked to continuity: J.P. Morgan's new headquarters rise on Wall Street two blocks from where the firm has had its principal offices for more than a century.

JPMorgan

INTERNATIONAL CAPITAL MARKETS and COMPANIES

FRN prices recover after Citicorp loan loss move

BY STEPHEN FIDLER AND ALEXANDER NICOLL

PRICES OF Eurodollar floating rates notes for US banks recovered modestly yesterday as the market regained its composure after Citicorp's announcement that it would add $3bn to its loan loss reserve to cover Third World debt exposure.

Dealers said the view that the Citicorp move would not cause problems to the banking system, and might actually open the way to an eventual resolution of the debt crisis, had gained hold.

Prices consequently recovered in the dated and perpetual sector as trading houses covered short positions. Little retail interest apparently emerged, however.

Prices of perpetual FRNs, paper issued by banks with no final maturity, improved by about ½ point, while dated issues for American banks added between ¼ and ⅜ point. The sectors fell on Wednesday by 2 to 3 points in reaction to the Citicorp move.

However, the point that repercussions could still be felt in bond markets to the Citicorp move was underlined by the withdrawal in the New York market of a $200m, 12-year note issue for Chase Manhattan, the price of which had dived in when-issued trading. Chase cited "uncertainties in the market place" in its decision.

The Citicorp move prompted firms making markets in dated US bank FRNs to agree to widen their dealing spreads from ten basis points to 25 basis points for maturities before 2000, and to 50 basis points—in line with dealing spreads on perpetuals — for notes maturing in the next century. This decision had helped to restore some confidence among market makers, dealers said.

Floaters for British banks edged fractionally higher, following declines of ⅛ point on Wednesday.

In the fixed rate Eurodollar sector, trading was again subdued by the presence of traders, salesmen and their customers at the annual meeting of the Association of International Bond Dealers in Oslo. Issues, where changed, were ⅛ to ¼ point firmer, supported by better sentiment both for the New York bond market and the dollar.

INTERNATIONAL BONDS

Rumours intensified of an imminent ½ point rise in the US discount rate from 5½ per cent, where it has stood since August 21 1986, which was supporting bond prices because it implies improved prospects for the dollar. Short-term rates, which indicate the cost of carrying securities inventories, have probably risen enough not to be affected by such an increase, dealers said.

In the equity-linked sector, Sumitomo Corporation made a $300m issue with equity warrants which quickly moved to a 4½ point premium. Led by Daiwa Europe, the issue has a five-year maturity, an indicated coupon of 1½ per cent and par pricing.

Eastman Kodak became the latest borrower to launch a bond linked to the price of gold. The issue, quickly increased by UBS (Securities) from $100m to $130m, has a three-year life and carries two-year warrants which will have value if the gold price rises by more than 25 per cent during that period.

The pricing of the package, at 113.175, implied a 101⅞ price for the 9 per cent bonds—giving a spread over Treasuries of 52 basis points at launch—and a warrant price of $118. This means that the warrants effectively carry a 25 per cent exercise premium over the yesterday's gold price of $470.60 an ounce. On exercise, warrant-holders will be paid the difference between the spot price at the time and $470.60. The issue traded well within its fees.

In the Australian dollar sector, Morgan Guaranty led a A$75m issue for Helaba Finance, a subsidiary of Hessische Landesbank-Girozentrale and carrying its guarantee. The nine-year issue has a 13⅞ per cent coupon and 101½ pricing. Aegon, the Dutch insurance group, made a A$50m issue led by Swiss Bank Corporation International, with a four-year life, 14 per cent coupon and 101⅞ pricing.

In West Germany, Electricite de France made a DM 300m 10-year issue led by Deutsche Bank and priced at 99¾ with a 5⅞ per cent coupon.

Dresdner Bank brought a DM 150m issue for Arab Banking Corporation, with a five-year life, priced at par with a 5½ per cent coupon. The issue was well received and traded comfortably within its fees.

D-Mark bond prices were slightly higher in shorter maturities, and little changed elsewhere.

Ireland tapped the Swiss franc market with a SFr 150m 15-year issue led by Swiss Bank Corporation, priced at par with a 5 per cent coupon. The issue was well received.

Union Bank of Switzerland led a SFr 100m private placement for Compania Sevillana de Electricidad, a Spanish utility. The five-year issue was priced at par with a 4¾ per cent coupon. Swiss franc bond prices were mixed.

Ex Merrill man joins Benetton

BY ALAN FRIEDMAN IN MILAN

BENETTON, the Italian clothing group which is embarked on an ambitious policy of diversifying into the financial services business, has appointed Mr Giovanni Franzi, 45, formerly a managing director of Merrill Lynch in London, to head its new financial services subsidiary. The services already include leasing, factoring, interest and currency swaps, underwriting of syndicated loans and insurance.

Mr Franzi, who will be based in Miland, was Merrill's senior officer for investment banking.

Benetton last year had turnover of L1,060bn ($822m) from clothing and an additional L500bn of business in leasing and factoring.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on May 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

CONVERTIBLE BONDS [illegible]

SWISS FRANC STRAIGHTS [illegible]

S Korean securities firms lift net by 265%

By Maggie Ford in Seoul

SOUTH KOREA's securities houses increased net profits by an average of 265 per cent to 136bn won ($163.5m) in 1986, reflecting the boom in the country's stock market, Ministry of Finance officials reported.

Top earner was Daewoo Securities with a 457 per cent rise in net profits from 2.8bn won in 1985 to 15.5bn won last year. Daishin Securities saw profits rise from 3.6bn won to 13.1bn won, an increase of 262 per cent.

Ssangyong Securities, joint lead manager of the Korea Eurofund through which foreign investors can buy stocks in the Seoul market, saw its net profits go up by 242 per cent from 3.3bn won to 11.5bn won.

The dramatic rise in profits follows the substantial increase in both stock prices and turnover on the Korean stock exchange in the past year. The value of shares traded daily on average in 1985 was $12.8m, a figure which jumped to $32m in 1986. In the first three months of this year, according to broker W. I. Carr, the value had risen to $73m.

The companies have also made great gains from securities trading with their own resources. Securities firms are allowed to invest up to 40 per cent of their own capital in the market. The Korea stock exchange composite price index increased from 199.76 at the close on March 31, 1986, to 405.13 a year later.

Companies are planning to issue new stocks this year totalling 577bn won, according to the Securities Supervisory Board. The South Korea conglomerates head the list of companies planning to go to the market.

The Samsung group is to raise capital of 84bn won, Hyundai is to issue new stock worth 71.9bn won and Daewoo will raise 68.7bn won.

The planned issues will bring the total of new capital raised this year to 668bn won, slightly lower than last year's total.

Hong Kong office for Dong Shuh

By David Dodwell in Hong Kong

DONG SHUH, South Korea's largest stockbrokers behind Daewoo, has opened a representative office in Hong Kong, the first Korean broker to establish a presence in the British territory.

The three-man office will for the time being be confined to research work, and to establishing links with international institutions in Hong Kong, since the Government in Seoul has yet to provide licences for local broking houses to solicit foreign investment in Korea's stock exchange. Tight foreign exchange controls currently prevent outward investment fro mKorea.

Mr Kim Hyundong, Dong Shuh's general manager in Hong Kong, said yesterday that Korean government approval for overseas licences could be given in 1988. He said that once approval was given, the company would be seeking institutional investment in the Korean market, and would be looking to participate in underwriting new listings in the Hong Kong market.

Dong Shuh has a paid up capital of US$46m, with representative offices in London and Tokyo, and plans to open an office in New York next year.

The Korean stock market currently has a daily turnover of about half the HK$1bn (US$128m) turnover at present being recorded in Hong Kong.

N. AMERICAN QUARTERLIES

CARLING O'KEEFE
Brewing

	1986-87 C$	1985-86 C$
Year		
Revenues	888.4m	832.9m
Op. net income	12.8m	1.05m
Op. net per share	0.50	†0.04

† Loss

CAMPBELL SOUP
Food processor

	1986-87 $	1985-86 $
Third quarter		
Revenues	1.13bn	1.07bn
Net income	48.1m	51m
Net per share	0.74	0.79
Nine months		
Revenues	3.48bn	3.28bn
Net income	177.2m	175.6m
Net per share	2.73	2.71

FIRESTONE TIRE
Tyres, plastics

	1986-87 $	1985-86 $
Second quarter		
Revenues	852m	813m
Net income	28m	12m
Net per share	0.77	0.31

US SHOE
Footwear

	1987 $	1986 $
First quarter		
Revenues	505.6m	438.9m
Net income	8.04m	3.2m
Net per share	0.18	0.07

Transfer of Euroyen bond centre to Tokyo suggested

BY CLARE PEARSON IN OSLO

MR YUSUKE KASHIWAGI, chairman of Bank of Tokyo, yesterday called for the Euroyen bond market to be repatriated from London to Tokyo and said this would give "a strong push to the lagging efforts to internationalise the Tokyo capital market."

Addressing the Association of International Bond Dealers' annual meeting in Oslo, Mr Kashiwagi also called for a review of Article 65, which separates the activities of banks and securities houses in Japan, in order to broaden participants in the domestic market.

Dealers at the conference expressed concern that a switch of the Euroyen sector to Tokyo would deter European investors who, they said, had fuelled massive growth in the Euroyen market.

Last year new issue volume in the Samurai market (the domestic market for foreign borrowers) declined by 38 per cent to Y785bn. At the same time, new issues of Euroyen bonds by non-residents jumped to Y2,467bn—85 per cent more than the year before.

Mr Kashiwagi envisaged the repatriation of the Euroyen market as part of a wider liberalisation in Tokyo. Steps taken by the Ministry of Finance to remove constraints on the Samurai market were not enough, he said.

An overall reform was needed which would involve allowing banks to hold non-residents' Euroyen bonds in their offshore accounts and bringing the taxation of securities in Japan into line with international norms.

Bank of Japan to shorten settlement time

By Peter Bruce in Tokyo

THE Bank of Japan, the central bank, said yesterday it will shorten dramatically the traditional bond settement period in the Tokyo financial market.

Bank officials said it was planned to introduce a four-day settlement period soon and then to work towards an overnight delivery system that is used in other advanced financial centres.

At present, bond deliveries can take place up to 20 days after they are traded, with settlement dates fixed on the 10th, 20th and last days of every month.

The long settlement times have on occasion been blamed for distorting the bond market. Speculation with bonds not yet paid for had damaged the stability of transactions, officials said.

Dealers told not to lose touch with final investors

THE DANGER that international securities houses were forgetting the needs of final investors in their drive to expand new issue business formed the subject of lively debate at the Association of International Bond Dealers' annual conference yesterday, writes Clare Pearson in Oslo.

Applause greeted one speaker who said the collapse in liquidity of perpetual floating rate notes last December and the subsequent decline in the conventional FRN market showed houses had forgotten "the curtain at the end of the line.'

But Mr Steven Licht, managing director of Merrill Lynch Europe, replied: "Reports of illiquidity of FRNS have been exaggerated. Investors have been able to sell—though they might not have liked the price."

However, the need to improve liquidity in the Euromarket at a time when successive liberalisations have drawn many investors away to the domestic markets was a theme taken up by a number of other speakers. Mr Charles McVeigh, managing director at Salomon Brothers International, said this made it vital for firms to maintain relationships with clients.

Mr McVeigh also emphasised the need for firms to decide whether to deal in all the major capital markets or become niche players.

He foresaw that increased competition and rising costs associated with the demand of domestic regulators meant there would soon be no room for the middle ranking Euromarkets house.

Replying to concern from the floor that niche players would be ignored by borrowers, Mr John Brown, chief financial officer of Standard Oil, said: "They can be very successful. It is those that have not yet decided that have the problem."

Abbey National to double facility

BY OUR EUROMARKETS STAFF

ABBEY NATIONAL, the second-ranked British building society in terms of assets, is aiming to double to £500m the size of a financing facility it signed last October with a group of banks led by Samuel Montagu.

The financing, an uncommitted tender panel facility providing cash advances with maturities of up to six months, will also be given an option for issuance in any traded Eurocurrency including Ecus.

The previous facility, with 43 banks, has been heavily used by the building society. Montagu's intention is to invite selected new banks to join the [illegible].

National Westminster Bank has been mandated to arrange a $250m multi-option facility for Reed International, the UK publishing group. Among the purposes of the seven-year credit, which includes options to raise money in sterling, are the backing of commercial paper and financing of acquisitions. Terms were not disclosed.

County NatWest said it had arranged a £50m sterling commercial paper facility, with a dollar option, for the John Crowther Group, the US textiles company. County, Lloyds Merchant Bank and Montagu have been appointed dealers.

Fecsa pulls back from interest rate cut threat

By David White in Madrid

FUERZAS Electricas de Cataluna (Fecsa), the Spanish power company which is trying to renegotiate $5bn worth of debt, has made a conciliatory gesture to its bank creditors by backing down on its threat to cut interest rates unilaterally.

At the end of last month, it told banks that until an agreement was reached it would apply the reduced interest rates which it was seeking as part of its proposed viability plan. The terms of this plan, which would cut interest on dollar loans to 1.5 points below the London interbank offered rates (Libor), have been rejected by foreign banks, which hold about $1.2bn in foreign currency Fecsa debt.

In March, the company suspended principal repayments on all its bank credits.

Fecsa's change of position is pegged to the formation of a steering committee of creditors to negotiate a rapid solution for the company, whose problems have been blocking other Spanish private sector utilities from access to the international markets.

Equity offering by Midi unit

By Our Euromarkets Correspondent

COMPAGNIE Financiere de Paris, the financial services subsidiary of the Paris-quoted Compagnie du Midi, yesterday launched an initial public offering of shares split between the domestic and international equity markets.

Midi, a diversified holding company, will retain control of the company after the offering, which is thought to be the first initial public offering for a private French company to be launched simultaneously in both international and domestic markets.

A total of 1m shares—22.36 per cent of Financiere's equity—is being offered at a price of FFr 540. Half of that will be offered in France through brokers Nivard Flornoy, while Swiss Bank Corporation International is handling the international tranche.

A group of 22 firms has agreed to underwrite the international portion, which is being targeted to three main groups in the UK, Switzerland and the rest of the world.

INTL. COMPANIES and FINANCE

Pacific Dunlop, Oilmet launch bids

BY BRUCE JACQUES IN SYDNEY

TWO TAKEOVER bids worth more than A$580m (US$420m) were announced yesterday as acquisition fever continued in Australia. Pacific Dunlop, the rubber-based industrial group, is making a A$223m offer for British-controlled textile producer Bonds Coats Patons, while Oilmet Investments, which is controlled by Mr Rene Rivkin, the high-profile Australian stockbroker, has launched a A$360m offer for the QBE Insurance group.

The Pacific Dunlop bid was rumoured earlier this week and has an unusual condition. It requires Bonds Coats Patons shareholders to approve the sale of the company's thread and hand knitting businesses to the company's British-based parent, Coats Viyella, which controls nearly 55 per cent of its capital.

The British company's directors have agreed to accept the bid if the proposed sale is approved. This would effectively split the group into its component parts

Pacific Dunlop will retain the Bonds division which has a number of established brand names in Australia. The offer is A$5.75 to reach Bonds Coats Patons share and A$2 is also being offered for the company's 500,000 preference shares. The offer is also cum a foreshadowed one-for-five bonus issue by Bonds.

The bid compares with a last sale price of A$5.36 for Bonds before the bid was announced. The shares have traded as low as A$3.60 this year.

Oilmet's offer is A$14 a share for QBE, conditional on 50 per cent acceptance. QBE shares rose A$1.50 to the bid price in the market yesterday, but Mr Rivkin points out that the shares were trading as low as A$7.50 before he began buying earlier this year.

The success of the bid will depend on the attitude of Burns Philp, the trading house which owns 50 per cent of QBE and has been in a rationalisation mode in recent years.

The bid is cum a current one-for-one bonus issue by QBE and will be finance by NZI Securities, supplemented by internal funds.

Rising yen hits Japan's electrical groups

BY IAN RODGER IN TOKYO

JAPAN'S leading electrical groups are hoping for a slight recovery this year following the second year in a row of sharp declines in their profits caused mainly by the rising yen.

Hitachi, the industry leader, as well as Toshiba and Mitsubishi said they were counting on an upturn this year in the semiconductor market, while demand in most other areas would remain flat.

Hitachi and Mitsubishi also said their profits would be boosted this year by the benefits of their rationalisation efforts in the past two years. Hitachi wrote off Y20.5bn last year, most of it in advanced depreciation.

RESULTS FOR YEAR ENDED MARCH 1987

	Sales Y bn	Change %	Pre-tax profit Y bn	Change %
Hitachi	2,924.6	−2.6	88.5	−44
Toshiba	2,583.4	−1.0	41.2	−49
Mitsubishi Electric	1,803.6	−1.0	26.4	−34
Fuji Electric	392.9	+1.3	4.5	−21

Hitachi's pre-tax profits last year were only a third of their peak level of Y255.9bn in 1985. Toshiba's profits have fallen by 71 per cent over the same period. The surge in the value of the yen has hurt export sales of many products and slashed export margins.

Hitachi said its exports dropped 15 per cent last year. Toshiba said that although its sales were flat, the yen's rise caused a foreign exchange loss of Y120bn. The value of exports was maintained at Y726.8bn, mainly because the spectacular growth of sales of lap top computers and large (one megabyte) semiconductor memory chips, offsetting declines in exports of other products.

Toshiba and Mitsubishi Electric said domestic sales of consumer products, such as colour televisions and videocassette recorders, grew satisfactorily.

Mitsubishi cut its annual dividend from Y8 a share to Y6, while the others maintained theirs, Hitachi at Y9, Toshiba at Y4 and Fuji at Y6.

Fuji Photo Film boosts first-half profits by 8.8%

BY OUR TOKYO CORRESPONDENT

FUJI PHOTO FILM, Japan's leading maker of photosensitive materials, with a 70 per cent domestic market share, reported an 8.8 per cent rise in pre-tax profits to Y62.97bn ($450m) in the half-year to April 1987.

Net profits were 4 per cent higher at Y29.83bn. The company said the cost-to-sales ratio declined 3 percentage points, thanks to a decline in raw material prices and rationalisation of its photosensitive emulsion production.

During the half-year, the yen appreciated by about 20 per cent, which slashed export revenue by Y1.6bn. However, sales of consumer photo products and industrial products fared well. Overall turnover improved by 3 per cent to Y332.44bn.

In the current half-year to September, the company expects a dismal business climate owing to the continued strength of the yen and intensifying competition. An upsurge in the silver price is also expected.

For the full fiscal year, Fuji projects pre-tax profits at Y114bn, unchanged from the previous year, on turnover of Y670bn, up 4 per cent. It will peg the year-end dividend at Y6.75 a share, unchanged from the previous year, to pay Y13.50 for the year.

C. Itoh takes over top sales spot from Mitsubishi

BY YOKO SHIBATA IN TOKYO

THE deflationary effects of the yen's appreciation has produced a big change in rankings among Japan's six dominant trading houses.

C. Itoh has obtained the top position among Japanese trading houses in overall sales, which totalled more than Y14,000bn ($100.1bn) for the year to end-March, due to the company's strategy to intensify domestic sales to cope with the yen's appreciation.

Sumitomo Corporation advanced to second from fourth in the previous year, while Marubeni came third from fifth. However, Mitsubishi, which had maintained the top spot for 18 years, fell to fifth place with sales of Y11,853bn.

Mitsubishi's large sales fall was attributed to its heavy dependence on primary products, including crude oil, hit hard by sluggish international commodity prices and the yen's 28 per cent appreciation against the dollar.

Mitsubishi said its imports declined 47 per cent, exports 15 per cent, offshore trade 33 per cent, and domestic sales 14 per cent. Its operating profits deteriorated by 34 per cent. However, its active asset management activities increased proceeds by Y45bn, which boosted pre-tax profits 54 per cent to Y79.49bn. Net profits sagged by 8 per cent, due to a special loss of Y48bn, including Y21.8bn in loan write-offs.

Mitsui's pre-tax profits soared 23.5 per cent to Y54.62bn, thanks to lowering interest rate and increased earnings from securities sales. The yen's appreciation slashed sales by Y2,100bn and oil price fall trimmed sales by Y440bn.

C. Itoh, the largest trading house in terms of annual sales, suffered a 13.7 per cent fall in pre-tax profits to Y35bn, but its net profits rose 19.4 per cent to Y9bn, because of a decline in special losses.

JAPANESE TRADING HOUSE RETURNS
Results for year ended March 1987

	Sales Y bn	Change %	Pre-tax profits Y bn	Change %	Net profits Y bn	Change %
Mitsubishi	11,853.80	−27.4	79.49	+54.0	21.50	− 8.0
Mitsui	12,628.05	−21.0	54.62	+23.5	9.61	+ 0.9
Sumitomo	12,923.20	−10.0	46.07	− 3.0	22.77	+10.3
C. Itoh	14,255.80	− 7.0	35.03	−13.7	9.04	+19.4
Marubeni	12,866.20	− 7.5	30.90	−25.0	6.07	+12.3
Nisshoiwai	7,318.55	−17.0	29.73	− 2.8	4.02	+ 3.1

Crown completes its case in Carrian fraud trial

BY DAVID DODWELL IN HONG KONG

LORD BENSON, an authority on the accountancy profession and one of the Hong Kong Government's leading prosecution witnesses in the Carrian fraud trial, completed giving evidence yesterday, bringing the crown's case to an end after a 14-month period in which a total of 101 witnesses were called.

Carrian Investments, a shipping and property group, collapsed in 1983 with debts estimated at HK$10bn (US$1.28bn). Its ormer chairman, Mr George Tan, and five associates, face charges of conspiracy to deraud in connection with the collapse.

The case is already the longest ever heard in a Hong Kong court, and has so far cost the Government more than HK$27m to prosecute. Lawyers defending Mr Tan and his five associates are now expected to spend the next three months making submissisons in camera, arguing that Mr Tan has no case to answer. Meanwhile, the jury has been stood down.

If these submissions fail, the jury will be recalled, and defence lawyers are expected to take most of next year presenting their case.

This could well take the Carrian trial into the Guinness Book of Records, since the longest criminal trial previously heard was that of Angelo Buono, who was found guilty in a California court in 1983 on nine counts of murder after two years and two days in which 400 witnesses gave evidence.

Accused with Mr Tan are Mr Bentley Ho, a former director in Carrian, Mr David Begg and Mr Anthony Lo, A partner and a manager in the accountancy firm Price Waterhouse, and the brothers Rogerio and Stephen Lam, who were directors in a group called Bylamson.

The collapse of Carrian has been a major embarrassment to the Malaysian Government, because Bumiputra Malaysia Finance, the Hong Kong-based subsidiary of Malaysia's biggest bank, was Carian's main creditor. It had debts of about HK$8bn outstanding when Carrian collapsed.

Ministers in the Malaysian Government have been linked with the scandal, which has been the subject of investigation by the country's Attorney General.

Air New Zealand looks for maintained results

BY DAI HAYWARD IN WELLINGTON

AIR NEW ZEALAND, the national flag carrier, is expected to show an operating profit of well over NZ$100m (US$58m) for the year which ended in March when its results are presented to Parliament—its sole shareholder—later this year. Last year the company had a NZ$133m operating profit and is expected to be close to repeating this despite higher operating costs and increased competition.

In July Air New Zealand faces even more intense competition on its domestic routes when the Australian-based Ansett Airlines begins operating between the major cities. It is estimated this could cost Air New Zealand 20 per cent of its existing business.

As part of its plan to counter this, Air New Zealand is expanding its international services. Developments include:

- A weekly Auckland to Frankfurt service in October;
- An Auckland-Dallas-Fort Worth-Gatwick service in November;
- Stepping up its Singapore flights to four a week;
- Proposals for a joint Air NZ-Cathay Pacific service to Hong Kong; and

The Auckland-Dallas connection will open up the American South and Midwest and other US destinations with connections through American Airlines and Delta Air. Air New Zealand has inter-line agreements with both these operators.

New Zealand tourist operators are confident the Dallas flights via Tahiti will boost tourism. Air New Zealand also plans to win away a lot of passenger traffic now carried to the South Pacific by United and Continental Airlines.

With its connections to Tahiti and Fiji, Air New Zealand itself will launch a tourist drive, selling the South Pacific as a package for Americans and Europeans looking for more than one-country tourist destinations. The latest political upheavals in Fiji may, however, put a partial dampener on this.

The airline will also be going all out to attract West German tourists. To make the Frankfurt service pay it needs to double the number of West Germans now visiting New Zealand but, as these at present number only about 11,000 a year, the airline and tourist operators see ample room for promotion.

Air New Zealand may soon confirm an order for a sixth NZ$250m Boeing 747 jumbo jet. It already operates five but plans for a sixth aircraft were postponed during a downturn in demand 18 months ago. Now the airline is again considering placing a firm order

The carrier is still pushing for rights to fly between Australian cities but so far has not been able to break through the federal government's two airline domestic policy.

UK COMPANY NEWS

Alice Rawsthorn on the revival of a former holiday camp company

Back to work for Corton Beach

IN THE 1960s the name Corton Beach conjured the "hi-de-hi" world of an east coast holiday camp and one of the fastest-moving companies on the stock market. In the 1970s it had slipped into the ranks of the de-listed "shell" companies.

Today it is being revitalised as a mini-conglomerate on the Third Market.

It has been revived by Mr Mike Keen, who has turned it into a diversified group with interests in cars, food, fashion and leisure in less than three years.

Last week the company unveiled its first publicly-quoted set of results in which turnover doubled to £19.54m and pre-tax profits trebled to £742,000. The share price has almost doubled in the last two weeks.

Mike Keen, chairman of Corton Beach

Mr Keen took control of the company after a career as an accountant, culminating in the finance directorship of Bensons Crisps. After years as a corporate employee, he was eager to develop his own business.

Corton Beach suited his purposes perfectly. In early 1984, when Mr Keen surfaced, it was a shell company, its name tarnished by past scandals, with 400 shareholders and £100,000 in cash. He bought 29.9 per cent for £35,000 and sought a quotation on the over-the-counter market.

His strategy was to build up "a sizeable group with interests in at least three main areas." He began in the industries he knew best: cars, by acquiring a string of motor dealerships along the M62 motorway; and food, first purchasing a scampi business, then diversifying into prepared meats and freezer centres.

As an accountant Mr Keen prefers to concentrate on the aspects of business he knows best, imposing financial controls, delegating management to more entrepreneurially minded executives.

When Corton Beach acquires a new company it tries to ensure that the individuals who have built up the business stay with it. Mr Joe Jacques who ran the prepared meats company now heads the food division; while Mr Paul Dixon, former owner of a motor distributor purchased in January is in charge of the motor interest.

Leisure was chosen as the third area, beginning with a trio of amusement arcades in the west country. It has since moved into the distribution of amusement machines, with the acquisition of Deith Leisure earlier this year, and intends to expand into machine manufacturing by purchasing the BWB Group.

"As a small company we cannot afford to be vulnerable to a sudden downturn in any individual business," said Mr Keen. "If the fish market suffers, we have to be able to turn to cooked meals or freezer centres. If demand for Nissan cars falls, we must rely on Audi.

One of his golden rules is to concentrate on acquiring buoyant businesses with proven profitability.

"There is always the risk with a recovery situation that you will not be able to turn the business around," he said. "Even if a proven business fails to grow at least it will provide additional sales and profits."

Corton Beach broke this rule in 1985 when it embarked upon the acquisition of the Tern Group, a loss-making textile company on the main market.

Initially Mr Keen planned to reverse into Tern. He approached the company armed with "the Extel cards, McCarthy report and a fresh set of accounts" assuming that he would be able to steer it to recovery.

As is so often the case, Tern was in much more of a mess than was suspected. As Mr Keen put it, the company had two choices: "to walk away or to stay and sort it out."

Mr Keen decided against a reverse takeover and, having re-assessed the state of Tern, concluded that there was only one division worth saving, that was Propeller, a shirt importer and distributor, and all the other interests were closed or sold.

Propeller has gone from strength to strength. It should be floated on the Third Market later this year.

Corton Beach aims to graduate to the USM, and then to the main market as quickly as possible. Buoyed by forecasts of doubled profits in the present year Mr Kean is also intent upon pursuing more substantial acquisitions.

"Until now our acquisitions have, of necessity, been small and strategic," he said.

"We have been restricted to looking at family businesses, often without proper controls or accounts, which can find it difficult to integrate with the culture of a larger group. It will be much easier to be able to buy bigger."

E. UPTON AND SONS, Middlesbrough-based operator of department stores, said negotiations are at an advanced stage for the acquisition of the ordinary share capital of Southern & City Property Group, retail property developers.

WAYNE KERR (USM-quoted electronics manufacturer) has purchased Alpha Repeater of Southwick for around £250,000.

Polly Peck untroubled by Turkish TV moves

Polly Peck, international trading group, said yesterday that marketing and sales of television sets made in Turkey by its Vestel subsidiary would not be disrupted by a move to revoke its manufacturing licence.

The Turkish Supreme Board of Radio and TV has moved against Vestel and eight other companies for alleged sub-standard production of radio and TV equipment.

Ankara's Ministry of Trade and Industry, however, has intervened to keep the companies in business.

The action is part of a Government move to clarify standards in the domestic electronics industry.

Consumer Electronics profits of £4.1m accounted for nearly 6 per cent of Polly Peck's pre-tax total in 1986.

Polly Peck shares recovered from early weakness to close 2½p high at 285½p.

United Newspapers has 27.9% of Extel

United Newspapers has raised its interest in Extel, the financial and sports information group, to 27.9 per cent.

Samuel Montagu, the merchant bank, bought 450,000 shares (a 0.9 per cent stake) in the market for 481p, equal to the cash alternative in the publishing group's £250m takeover bid for Extel.

Extel shares lost 1p to 493p, compared with the 479p value of United's share offer based on the latter's price of 465p, down 3p.

ANNUAL MEETINGS

The following reports were made at AGMs held yesterday.

John Laing: There were positive and encouraging signs that 1987 would be another good year.

Johnson Group Cleaners: Company expected to achieve further growth this year despite the possible effect of adverse movements in prevailing sterling/dollar exchange rates. Board was confident of further progress in the US and it was intended to continue the policy of selective acquisitions.

MY Holdings: Company made substantial progress last year and with the acquisition of Sharp Interpack now had increased opportunities for further profitable growth. In the first four months of 1987 trading had continued at a good level and this was expected to continue for the rest of the year.

The Weir Group: Company had made a satisfactory start to the year with profits in the first quarter well up to expectations.

Sharpe & Fisher: The DIY market continued to grow and Sandfords had benefited as a result of new outlets. Sandford was expected to have another excellent trading year. The significant rise in construction activity had continued into 1987 with sales to end April up 20 per cent on last year. Outlook for the whole of 1987 was better than it had been for several years and that side of the business was expected to have an excellent trading year.

Waterford Glass: Wedgwood was trading very well and overall performance was already appreciably better than last year. Group was experiencing weak crystal sales in its Irish, UK and other European markets. Crystal revenues in US likely to exceed those for 1986 but company was concerned at weakness of the dollar.

Walter Lawrence: First four months trading of the current year had been very satisfactory. The board remained extremely confident that 1987 would be a year of further advance.

Wm Morrison supermarkets: Current trading was producing sales some 8½ per cent in excess of those for the first quarter of last year and allowing for inflation continued to reflect reasonable volume growth. Chairman was confident they could improve on this performance throughout rest of the year.

IN BRIEF

SHIRES Investment: Net asset value 248.5p (228.13p) at March 31 1987. Proposed final dividend 5p (5.75p), making 14p (13.25p).

MORAN TEA HOLDINGS: The directors consider that, despite the current fall in tea prices, the overall group result for the year to June 30 1987 will produce a profit on ordinary activities in excess of last year. An interim dividend of 10p (7.5p) is being paid. The Trans Global Group has traded satisfactorily, particularly within the air freight division.

STAR COMPUTER: Company will not now proceed with the purchase of Orchard Management Services. Parties have, however, substituted a marketing agreement.

UK COMPANY NEWS

Underwoods shows 22% advance

Underwoods, the multiple retail chemist which terminated merger talks with Woolworth in March this year, yesterday announced a 22 per cent increase from £2.54m to £3.11m in pre-tax profits for the year to March 31 1987. This was in line with market forecasts—around £3.2m—following the confident October interim statement.

Mr Hary Woolf, the chairman, said the current year had started with promise. Trading in the provincial stores, now in their second year, was particularly encouraging and there was room for growth.

The company intended to maintain its expansion into towns in the southern half of England, as well as central London and the suburbs.

The majority of new stores did not begin trading until late in the year and, as a result, sales were not quite up to expectations, Mr Woolf said. The drop in tourism in the first seven months of the year also had some adverse effect.

Of the 11 new stores opened, five were in provincial areas, two in London suburbs and four in central London. All were trading at or above expectations. Ten stores were refurbished during the year.

The company expected to open 10 new stores in the current year, adding 35,000 sq ft of net selling space. Two new stores were already opened and two more had been secured. The board was also actively seeking other opportunities to expand the group.

Turnover last year rose from £37.57m to £47.18m and gross profit was up from £13.28m to £16.75m. Distribution costs increased by £2.5m to £10.56m, and administration costs were up from £2.61m to £3.25m. Other operating income amounted to £127,000 (£207,000) leaving trading profits of £3.07m (£2.82m). Net interest and other income receivable was £40,000 (£274,000 charge). With the proportional tax charge down from 33 per cent to 27 per cent at £840,000 (£835,000) earnings per share are up from 6.8p to 8.3p.

The dividend is raised from 1.65p to 2.5p with a proposed final of 1.5p.

Also reported yesterday was the resignation of Mr Richard Bett, deputy managing director and trading director, who was second in command of Underwoods' operations.

According to Mr Brian Kerner, group managing director, "Mr Bett, like all of the board, became very excited at the prospect of joining up with Woolworth but when these negotiations failed to produce this result he was unable to motivate himself further and we have therefore agreed to part on amicable terms." Mr Bett, who spent six years with Underwoods, has been replaced by Mr Dennis Casey, formerly sales director.

● comment

Post-Merger-Tension appears to have afflicted more than Mr Bett. The City was disappointed with these figures, especially the one-sixth fall in trading margins and the shares fell 11p to 198p. Distribution costs, from which property gains of £252,000 (£200,000 last year) ought to be stripped out, rose to almost 22 per cent of turnover badly denting the gross profit improvement. Rates and rent rises are apparently to blame as is the number and timing of new openings. The large number of rent reviews due over the next two years suggests that this account could continue to be a problem area. The good news was that the out of town stores (sale per sq ft of £238 against £377 for the company overall) are showing 20 per cent sales rises this year so far. If Underwoods can convince that its formula can be successfully exported out of Central London then the longer term begins to look less constricted by the shortage and cost of sites and the real danger of cheek by jowl oversaturation (called "shooting yourself in the foot" in the trade). On forecasts shaved to £3.8m, Underwoods now trades on a prospective p/e of 22, which seems overblown unless there really is someone out there willing to make a bid.

NMC Investments makes £2.86m acquisition

NMC Investments, the specialist packaging group in which the Saatchi brothers have a substantial holding, is buying A. J. Bingley, a privately-owned flexible packaging company, for £2.86m.

The acquisition will be satisfied by the issue of 1.47m new shares, representing 3.85 per cent of the enlarged issued share capital. Bingley shareholders will be offered 18 NMC shares for each ordinary share in Bingley. Alternatively, they can take £35 in cash for each Bingley ordinary share.

The directors of NMC said that the acquisition represented an attractive opportunity to acquire a company with a reputation for inventiveness in the field of flexible packaging. They saw opportunities for cost savings which, when coupled with an improved marketing effort, should improve profitability in the short term.

Bingley's current product range includes standard packing for the high-volume point-of-sale market, added-value flexible packaging for the retail trade and several new packing products designed for specialist markets.

In 1986 Bingley incurred pre-tax losses of £76,000 on turnover of £7.41m. Net assets at year end amounted to £2.61m.

Priest Marians doubles profit

Priest Marians Holdings, the property investment and development group which is currently engaged in bid talks for GRA, yesterday announced an increase from £585,000 to £1.19m in pre-tax profits for the year to February 28 1987. The figures include the results of Lincroft Kilgour as an associate from August 1 1986 to November 30 1986 and as a subsidiary since December 1 1986.

Mr Simon Fussel, the chairman, said he had every reason to view the current financial period with considerable optimism.

Turnover last year was £2.91m and gross profit was £1m. Other operating income amounted to £1.68m (£693,000) while administration and distribution expenses were £1.02m (£116,000). Net interest payable and similar charges took £474,000 (£9,000 receivable); tax took £505,000 (£155,000) and minorities £26,000 (nil). There were extraordinary charges of £29,000 (nil) after tax.

Earnings per share emerged at 9.2p (13.5p) for the forecast 1.5p dividend (1.4p adjusted).

VAUX GROUP: In response to the recent rights issue 7,101,505 new ordinary shares (approximately 90.1 per cent) were taken up, the balance being sold

Nu-Swift doubles after UK growth

Nu-Swift Industries, the fire protection group, has more than doubled its 1986 pre-tax profits to £14.68m after a good performance from its UK operations and progress at its new French acquisition.

Turnover almost quadrupled from £33.35m to £129.27m, and earnings per share nearly trebled from 7.48p to 21.66p.

Nu-Swift more than doubled its interim profits to £6.03m largely because of the merger in January 1986 between its French subsidiary Generale Incendie Protection et Securite, and Compagnie Centrale Sicli.

Directors said the company's UK trading operations had increased its pre-tax figure by 24 per cent for the year. In France, cost savings policies had been implemented to return Sicli—which had been barely breaking even for several years —to a more acceptable level of profitability.

The company had also benefited from relaxation of French price controls. Reorganisation within Societé Industrielle pour le Development de la Securité, a 62.2 per cent subsidiary of Sicli, was now complete, and after a difficult first half it was trading profitably.

Trading results for the first months of 1987 showed progress was being maintained, and prospects for the year were encouraging, said the board.

Tax rose from £3m to £3.93m and minorities from £2,000 to £1.22m. There was an extraordinary debit of £1.78m, compared with £415,000 in 1985.

A recommended final dividend of 5.25p (2.25p) makes 7p for the year, compared with 3.5p last time.

● comment

Nu-Swit's profits growth, though spectacular, came as little surprise in the wake of the strong interim results. Much of it reflects further progress in increasing the efficiency of the UK operations, and the rest from the application o fsimilar methods in France. The sheer size of the French operations suggests that the scope for further efficiency gains there is far from exhausted, particularly as fire extinguisher production is concentrated at Sicli. Some £21m to £22m could be in sight for the current year, but rising tax charges and minorities will make the advance less spectacular at the bottom line. Earnings of 24p to 25p would produce a prospective price/earnings multiple of 14 at yesterday's 340p, a rating which seems suitably to reflect a compromise between an exciting management and a stodgy market.

RADIO CITY (Sound of Merseyside) has disposed of the memorabilia owned by Beatle City for a sum of approximately £200,000. Expected that Seel Street property, in which the memorabilia was housed, will be sold shortly.

Triefus up to £1.35m as margins increase

Triefus, which is engaged in the marketing, processing and valuation of diamonds, in engineering, and contract drilling, yesterday reported a rise of more than 70 per cent in pre-tax profits for 1986 and announced a proposed one-for-25 scrip issue.

Profits moved up from £793,000 to £1.35m on turnover ahead from £22.51m at £25.2m. The proposed dividend for the year is lifted from 0.05p to 1p.

The directors said the increased profits stemmed more from increased profitability in some operations than from a major increase in volume and some reduction in expenses. The company's efforts to rationalise and reorganise the group have largely been completed

They reported that in England the balance has continued to shift from trading to manufacture. The company was exploring the feasibility of increasing the capacity of the manufacturing operation in order to strengthen its presence and as part of the base for its efforts to increase its share of the European market generally.

Tax accounted for £478,000 (£454,000) and minorities £280,000 (£156,000). Extraordinary credits of £136,000 (£18,000) comprised the profits on the sale of a subsidiary company. Earnings per share rose from 1.8p to 6.25p.

Former MSCC chairman buys stake in Barlows

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

MR NICHOLAS BERRY, ousted as chairman of Manchester Ship Canal after the unsuccessful defence against the Highams takeover bid, has found a new outlet in a company which will concentrate on north west England property development.

Joined by Dr Isidor Klausner, a former Manchester Ship Canal director, and Mr Jeremy Weston, who handled Manchester Ship Canal affairs at Dunlop Haywood, the chartered surveyors, he is moving into Barlows, the former textile packing company which has been developing its property interests.

Samuel Montagu, the merchant bankers, yesterday announced that with the agreement of Barlows' existing directors, the company's finances and equity are being restructured through a rights issue.

The effect will be to give Mr Berry, Stancroft — his personal company — and their associates, 29.4 per cent of the equity in Barlows, which, at the end of last year, had net assets just short of £1m.

But Mr Berry said yesterday that he was not cutting his links with Manchester Ship Canal.

Through Harraps, the publishing house, which is 60 per cent owned by Stancroft, Mr Berry leads a group of seven independent shareholders collectively retaining 25 per cent of the Manchester Ship Canal equity.

The restructuring at Barlows involves a subscription of 500,000 new shares at 500p a share. Stancroft, Mr Berry and associates will take 228,000, while Samuel Montagu has placed the remainder, of which 85,000 have gone to London and Edinburgh Trust.

There is also a one-for-two rights issue for existing shareholders, again at 500p a share.

The effect will be to give Barlows a capital infusion of £3.22m.

Shares in Barlows were suspended last Monday, pending yesterday's announcement at 550p.

BASF 1986

Another successful year

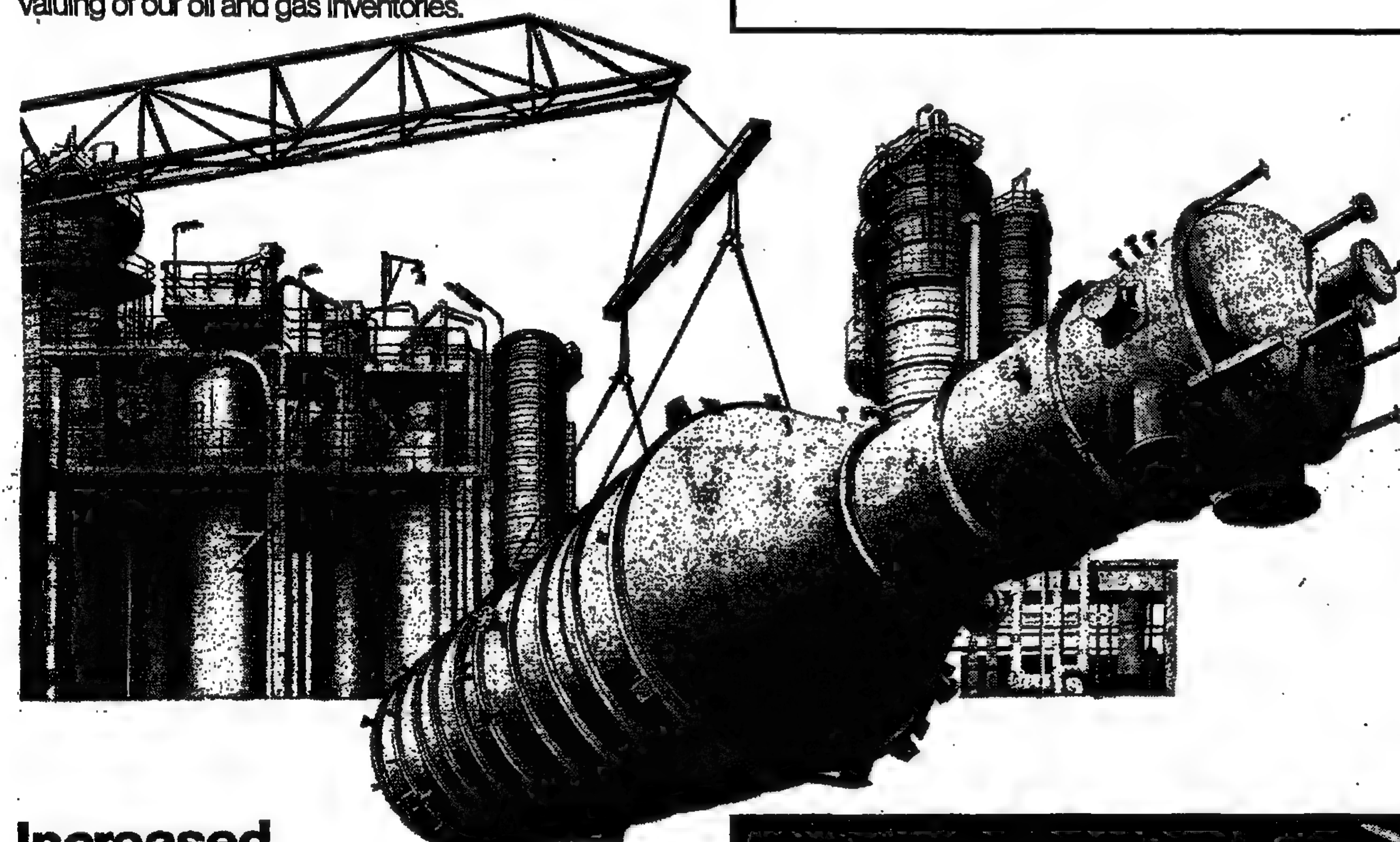
BASF, a major international chemical company renowned for its trail-blazing scientific and technological achievements, is proud to announce its Financial Results.

For BASF Group, 1986 proved successful as another year of strong financial reinforcement; new venture integration; increased sales volume; and continued, far sighted commitment to research, development and capital expenditure programmes.

The decline in Net Sales was due wholly to extraordinary international factors, and the drop in profits was almost exactly equal to the down-valuing of our oil and gas inventories.

		DM Million 1986	DM Million 1985	% Change
BASF Group	Net Sales	40,471	44,377	− 8.8
	After-Tax Profit	910	998	− 8.8
	Capital Expenditure	2,657	2,456*	+ 8.2
	Employees	131,468	130,173	+ 1.0
BASF AG	Net Sales	18,717	20,461	− 8.5
	After-Tax Profit	710	646	+ 9.9
	Capital Expenditure	1,142	884	+29.2
	Dividend	535	496	+ 7.8

*Adjusted for acquired assets.



Intensified research and development

The Research Expenditure budget of over DM 1.7 Billion, considerably up on 1985, reflects the Group's belief that the long-term view is paramount.

Its general thrust can be gauged from the fact that net sales of higher value-added products account for nearly 60% of total turnover.

Highlights were the development of methacrylic acid and methyl methacrylate monomers; the inclusion of polyether ketones in our range of high performance engineering plastics; the new optically active phytohormone herbicides (Duplosan grades) which contribute further to environmentally compatible crop protection; and developments in advanced composite materials, such as the carbon fibres used in the Beechcraft Starship 1.

Increased capital expenditure

Our Capital Expenditure programme amounted to a very significant DM 2.7 Billion.

Among its most notable achievements was the doubling of acrylic production capacity, via the opening of a second plant in Freeport USA.

Yet further capacity will come on stream in 1988 when the new Ludwigshafen plant is opened.

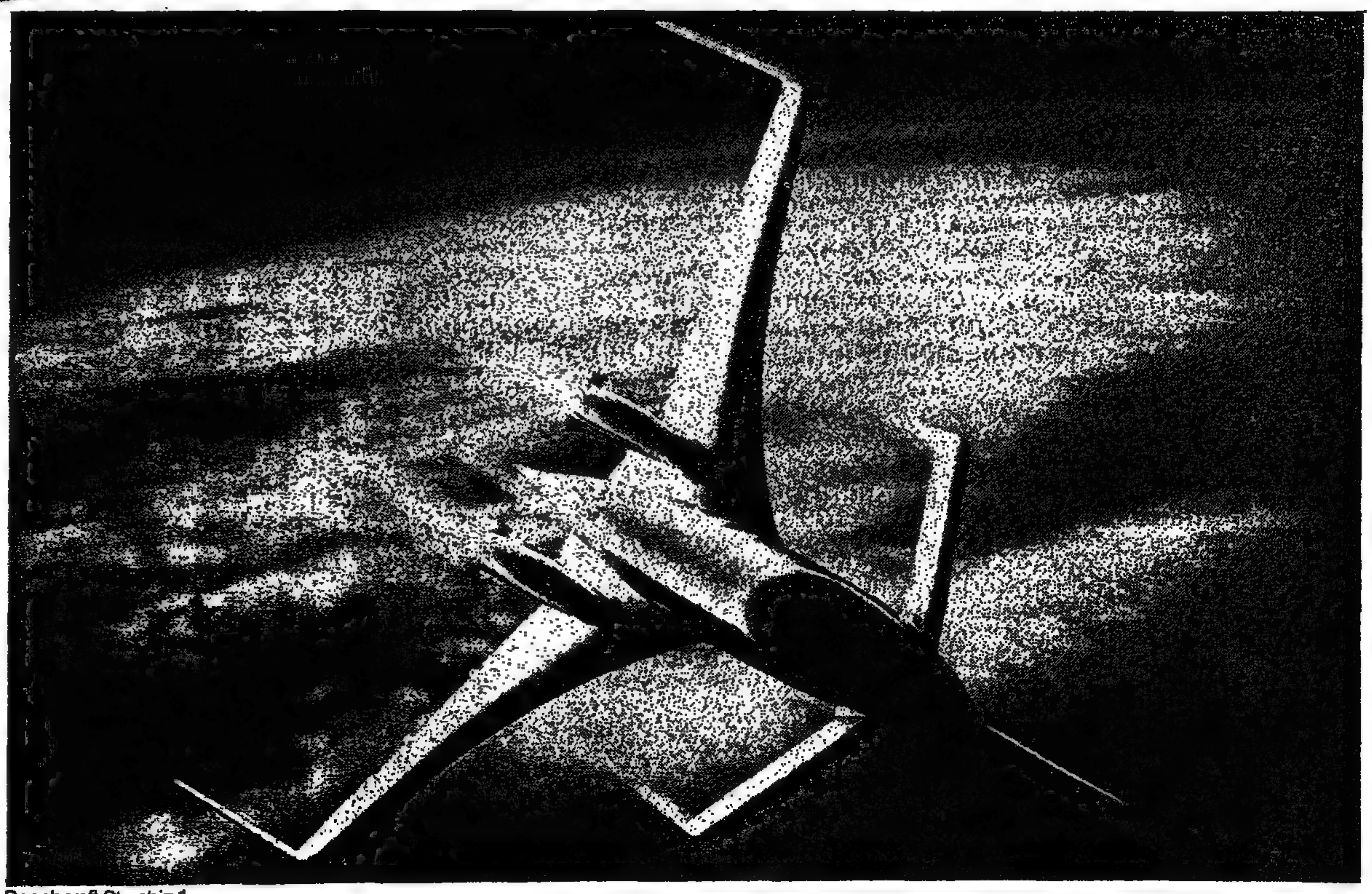
Commitment to growth

Above all, underlying BASF Group's 1986 Results is a single minded commitment to growth.

The Group's philosophy is based on the long term view; the conservative valuation of assets; and the need for a continuing high rate of return from all operations.

Its overall viewpoint is strongly international – 60% of Group Sales now come from outside Germany.

BASF IN THE UK: BASF UNITED KINGDOM LTD, BASF CHEMICALS LTD, BASF COATINGS + INKS LTD, CHEADLE COLOUR & CHEMICALS LTD, COMPAREX INFORMATION SYSTEMS LTD (A BASF & SIEMENS COMPANY), ELASTOGRAN UK LTD, FRITZSCHE DODGE & OLCOTT (U.K.) LTD, KNOLL LTD, WINTERSHALL (UK) LTD.



Beechcraft Starship 1.

BASF

UK COMPANY NEWS

Wordplex cuts loss and makes £9.3m cash call

BY ALICE RAWSTHORN

Wordplex, the troubled office automation group, yesterday announced reduced pre-tax losses from £3.19m to £2.13m in 1986 and unveiled proposals for a refinancing package and a new business strategy.

The company intends to raise £3.6m through a placing of shares, arranged by Close Investment Management, and £5.7m in an 11-for-10 rights issue at 50p a share. It has also secured revised banking facilities to include a £4m medium-term loan facility. The company's share price fell by 11p to 120p on the announcement yesterday.

The proceeds will strengthen the balance sheet which has been weakened after two years of losses and stringent cuts. The package has been organised by Octagon Industries, management services concern specialising in the information technology field, which was drafted in earlier this year. Octagon also developed the new business plan.

Through this Wordplex will build on its existing customer base by introducing its own new products and integrated systems with other manufacturers, and by augmenting its consultancy and support services.

Mr Geoff Bristow, managing director of Octagon, will become deputy chairman, taking over as chairman when Mr John Heywood resigns in September. Mr Jeremy Thomas, formerly managing director of a subsidiary of Racal, will become chief executive.

Wordplex went public in 1984, when the electronics sector was at its most fashionable. The company's share price began to fall almost immediately after flotation. The fall accelerated when it ran into problems and lapsed into losses.

After a series of cuts Wordplex broke even at a trading level in the second half of 1986. Turnover for the year rose to £46.94m (£44.53m) and gross profits to £19.38m (£19.21m). Interest charges were £1.86m (£1.36m), and the cost of stock write-offs and unexpected closure costs was taken as an extraordinary debit of £2.33m (£974,000).

The loss per share came out at 22p (33.6p).

● comment

To any observer of the electronics sector in the 1980s the story of Wordplex is all too familiar. The company sailed onto a receptive stock market, buoyed by a booming market, only to stumble into problems when the electronics slump began to bite. A high cost base, delusions of global grandeur and an inexperienced management team hardly helped. Shareholders should consider themselves lucky that the company has come through it all with its trading base intact. The client list is still strong, costs have been cropped to a more realistic level and the strategy of moving away from the mass market into clearly defined niches seems to make sense. The company may break even before tax this year, but investors will have to wait until 1988 for profits to filter through. But having hung on for so long . . . why not wait a little longer?

Unigate to sell its engineering interests

UNIGATE yesterday announced a decision to sell off its five engineering subsidiaries as part of an effort to concentrate on core business areas of transportation and the manufacture and distribution of food.

The companies, from the Giltspur and Wincanton divisions of the group, account for some 5 per cent of the total operation. Together they produce sales of about £60m annually.

Mr John Clement, Unigate chairman, said the engineering companies would perform better within a group in which there was a more logical fit.

All five companies are profitable, and Unigate expects they will be sold individually rather than as a group.

Mr Daniel Hodson, the finance director, said yesterday that Unigate expected to realise substantially more than the £20m of net assets in the companies. It had received recent unsolicited approaches about the companies.

Unigate has broadly diversified over the years away from its traditional business of processing and selling milk. The strategy has paid off in rapid earnings growth, with profits up by 37 per cent to £47.1m in the six months to last September. Mr Hodson, however, said that Unigate had reached a fundamental decision to "concentrate on key markets that we know."

The companies to be sold are: Giltspur Engineering Design; Giltspur Precision Industries; Giltspur Technologies; Wincanton Electrical Services, and Wincanton Engineering.

BOARD MEETINGS

TODAY

Interims: Fulcrum Investment Trust, Hunslet Holdings, Kelsey Industries, Northern Industrial Improvement Trust, Sedgwick.

Finals: Channel Tunnel Investments, Cullen's, A. Goldberg, London Associated Investment Trust, Value and Income Trust, Whittington Engineering.

FUTURE DATES

Interims:

AGA AB	May 28
Anglia Secured Homes	June 4
Bodyshop	June 3
Carlton Communications	June 1
French (Thomas)	June 16

Finals:

Allied Colloids	June 10
Chapman Industries	June 2
Chesterfield Properties	May 27
Edbro	May 28
FKI Electricals	May 27
Lep Group	May 28
PCT	May 28
Renold	June 18
Salvesen (Christian)	June 17

Computer People shares to have weighted ballot

Hill Samuel, the merchant bank sponsoring the flotation of Computer People, the computer staff agency, yesterday confirmed that the company's offer for sale had been subscribed 21 times.

More than 25,000 applications were received for a total of 35m shares, compared with the 1.7m on offer. It has, therefore, been necessary to ration the shares among the applicants.

Some 219 of Computer People's consultants and staff made preferential applications on pink forms for 511,500 shares, compared with the 339,200 which had been set aside for them.

Those seeking 100-3,000 will receive a full allocation; those seeking 3,500-7,000 will receive 3,000, and those seeking 8,000 or over will receive 40 per cent.

Public applicants will be more heavily rationed. A weighted ballot will be held which will probably result in an average of four out of five applicants being rejected.

Successful applicants for 100-400 shares will receive 100; for 500-900, 500; and for 1,000-30,000, 1,000. All applicants for 35,000 shares and above will receive 1,000 shares.

Letters of allotment will be posted next Wednesday and dealings will begin on Thursday. A strong premium is expected in the wake of the Rolls-Royce and Sock Shop flotations earlier this month.

Deritend lifts to £2.21m after all-round rise

Deritend Stamping, the Worcestershire-based forgings, castings, electrical installations and repair group produced pre-tax profits up by 4 per cent at £2.21m for the year to February 28 after growth in its casting and electrical divisions.

Mr David Mead, chairman, said the group had achieved another record year with trading profit exceeding £3m for the first time. The directors viewed the current year with confidence.

Total turnover was £36.8m, compared with £42.37m last time. After adjusting for the effect of the disposal of South Wales Forgemasters and Hayes Shell-Cast, sales of continuing group operations increased by 6 per cent to £35.9m and trading profit by 15 per cent to £3.3m.

Net earnings rose from 27.4p to 28p. A recommended final dividend of 6.3p (5.6p) per share makes 9p for the year, compared with 8p in 1986.

Losses caused by a discontinued product range resulted in an exceptional item of £350,000 (nil). Net interest payments fell from £649,000 to £536,000.

After tax of £734,000 (£678,000), the profit figure stood at £1.47m (£1.44m). This was almost wiped out by the extraordinary loss of £1.46m (£96,000 credit) on the sale of the subsidiary companies. After the dividend charge of £475,000 (£422,000), the retained deficit for the year was £459,000 (profit £1.12m).

HIGH GOSFORTH PARK (racecourse proprietor and estate owner): Dividend for 1986, 15p, plus special bonus of 5p (same). Turnover £662,858 (£636,906) and pre-tax profit £84,022 (£82,449), which included profit on sale of fixed assets of £41,382. Tax took £12,930 (£16,569). Stated earnings per share up from 72p to 78p.

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UK COMPANY NEWS

BAD DEBTS AND LITIGATION PROVISIONS

C E Heath's profits tumble by £20m

C. E. Heath, international insurance broker, saw pre-tax profits fall back from a restated figure of £34.67m to £14.47m in the year to March 31 1987. Turnover moved up from £69.98m to £88.41m.

Profits were struck after exceptional items of £11.24m (£2.21m) which comprised provisions for bad debts and litigation.

However, the board proposes an increased final dividend of 17.885p (17.395p), making a total of 24.985p (24.395p) for the year.

Mr Richard Fielding, chairman, said that the year was one of the most difficult in the history of the group and the results were extremely disappointing. However, he believed that the results were the bottom and that the company could expect a steady, albeit not immediate, return to the levels of profitability seen in the recent past.

He said that he firmly believed that there was an important role for the independent London-based broker, and that Heath would be well positioned to fulfil this role in the years ahead.

The performance of the group was impaired by the loss of its Workers' Compensation business in Australia and by continuing problems with bad debts and litigation provisions, particularly within the UK broking operations. A US lawsuit against Heath's Bermudian reinsurance company, Pinnacle, started to receive considerable publicity.

The departure last autumn of several senior executives from the Heath LMX and North American broking companies—had two important effects: a substantial loss of brokerage, particularly from North America; and on the morale of management and staff, particularly in the UK.

Analysis of profits and turnover on ordinary activities before tax and exceptional items shows: insurance broking, £12.7m (£19.01m) on £48.86m (£45.24m); underwriting, £11.69m (£15.66m) on £23.73m (£20.46m); and computer services, £1.67m (£228,000) on £15.82m (£4.28m). Other income

Richard Fielding, chairman of C. E. Heath

amounted to £980,000 (£2.63m) and interest paid amounted to £1.33m (£655,000).

Mr Fielding said that operating profits were adversely affected by £3.1m as a result of the strengthening of sterling. Included within this year's figures was a contribution from Fielding Insurance Holdings for the 15 months ended March 31 of £7.26m.

Group operations experienced a £4m shortfall in brokerage income against that forecast at the time of merger between but Heath was starting to obtain Heath and Fielding Insurance Holdings in October last year. About half of this shortfall was renewal business lost that had been expected to be retained, and the remainder was a failure to achieve new business targets.

Mr Fielding said that Heath's priority was to stem the loss of personnel and, therefore, brokerage income. There were signs that this has been achieved. One or two major accounts had moved elsewhere significant new accounts and the signs were that this would continue through the year.

The process of merging Heath and Fielding was well advanced. Underwriting activities would receive useful profit contributions in the coming year from Heath's acquisitions in Australia.

Pinnacle had shown another significant increase but its performance for the current year would remain difficult to predict with any confidence because the existence of the current litigation had inhibited new business growth.

Mr Fielding said that based on current facts and the views of its lawyers, the exceptional item represented a realistic appraisal of the ultimate cost of the group's complex and lengthy litigation matters.

Tax charges accounted for £5.31m (£12.31m) and minority interests for £271,000 (£181,000). Extraordinary items of £4.15m (£419,000) consisted of non-recurring costs associated with the merger with Fielding Insurance Holdings and the defence against the takeover bid by PWS Holdings last October. Earnings per share worked through down from 50.5p to 20p.

See Lex

Bass pays £55m for four Holiday Inn hotels

Bass, the UK's largest beer brewer, has bought four Holiday Inn hotels in England from the Holiday Corporation of Memphis, the US company which manages the chain, for a cash equivalent of £55m. The move is part of Bass' continued expansion *into the hotel industry.*

Negotiations are underway for the purchase of four additional hotels in Belgium, France, and the Netherlands for an expected price of about £33m cash.

The hotels are to be operated by Crest Hotels, the Bass subsidiary, as Holiday Inn hotels under franchise agreements. Crest Hotels, which operates hotels throughout Europe, may convert additional hotels to become part of the Holiday Inn chain.

Although the leisure activities of Bass are minor compared to its brewing, drinks and pub retailing business, they have contributed substantially to Bass's growth in profits. In the half-year ending on April 11, 1987, profits grew by 13 per cent to £133.7m. The contribution from leisure increased from £6.4m to £15.4m, with Crest Hotels putting in a strong performance.

The hotels in Britain are at London Airport, Mayfair, Birmingham and Leicester. The hotels under negotiations in Europe are in Paris, Ghent and Brussels Airport, and Eindhoven in the Netherlands.

W. H. Smith pays £7m for control of troubled TSI

BY ALICE RAWSTHORN

W. H. Smith, retailing and leisure group, has agreed to acquire a controlling holding in Television Services International, the troubled film and video production group, for £7m cash.

TSI also revealed a pre-tax loss of £3.11m for 1986. Mr John Jackson, who took over as chairman with the introduction of a new management team in January, said that after an investigation of the group's accounts significant adjustments had been made to previous accounts. Reported pre-tax profits for 1985 were reduced by £2.26m, producing a loss of £1.46m.

When TSI went public on the USM in 1983 it was welcomed as a potential successor to Carlton Communications, the successful production group. The company expanded rapidly but its profits record was erratic.

Earlier this year its problems came to a head when Mr Andrew Lee, the chairman and chief executive, resigned together with two other directors.

TSI has now concluded agreements with some former directors for the repayment of money owing to the company.

The new management team, headed by Mr Jackson, conducted a review of the group's activities and TSI has since decided to withdraw from entertainments, which made losses of £1.2m (£1.63m) on turnover of £2.53m (£2.93m) last year.

The group will concentrate on video post production. The continuing interests made losses of £1.9m (profits of £168,000) on turnover of £8.43m (£6.32m) in 1986, but are now trading profitably.

The cost of reorganisation and rationalisation of these interests, £600,000, was taken as an exceptional item.

Overall TSI made a loss per share of 28.5p (18.8p). The share price fell by 8p to 68p yesterday.

Arthur Young, TSI's auditors, qualified its report by stating that the group's ability to continue trading may be dependent on the conclusion of its refinancing arrangement. Under the terms of this arrangement W. H. Smith will acquire a 51 per cent holding.

Mr Simon Hornby, Smith's chairman, said that TSI would fit neatly within the group's television division by providing production facilities for its cable and satellite television channels. Mr Francis Baron, managing director of the television division, and Mr Brian Jamieson, group finance director, wil join the TSI board.

Bromsgrove Industries

Bromsgrove Industries, which manufactures and machines metal castings for a variety of industries, has produced pretax profits on ongoing activities of £720,000 for the year ended March 31 1987. This compares with £502,000 for the preceding year and the forecast of £700,000 made in March when the acquisition of Blanson Precision Cutting Tools was announced.

Coupled with the results, the company announced the acquisition of Hill Brs (Birmingham) for £730,000, which will be satisfied by the issue of 548,873 new Bromsgrove ordinary.

Hill, which specialises in the manufacture and processing of components and metal trim for the domestic appliance market, is supplied with some of its raw materials by Vetchberry, which Bromsgrove acquired in October 1986.

Turnover last year rose 32 per cent from £9.28m to £12.25m, and trading profits from £502,000 to £720,000.

The dividend is raised from 1.3p to 1.65p with a proposed final of 1.15p (0.9p) from earnings of 6.55p (5.86p) on ongoing activities, or 5.39p (6.57p) on net profits after tax.

HATT to gain SE listing in June valued at £32m

BY CHARLES BATCHELOR

Hambros Advanced Technology Trust will join the growing number of venture capital funds to opt for investment trust status when it comes to the stock market early next month by way of a share placing.

HATT, in which the Hambros banking group has a large minority stake, had net assets of £38.59m at March 31 and is expected to be valued at about £31m to £33m by the placing.

Like a number of other privately owned UK investment trusts HATT faces a sizeable capital gains tax bill if it disposes of any of its investments at a profit. By becoming a publicly - quoted investment trust it will reduce its tax bill.

HATT is currently invested in 26 high technology companies in fields such as telecommunications, computers and electronics, but its portfolio is dominated by three large holdings. They are a 1.6 per cent stake in Racal Electronics bought for £709,000 and currently worth £21.26m; a 7.2 per cent stake in Telematics International, a US computer systems group, bought for £362,000 and now worth £10.26m and a 12.5 per cent stake in Alphameric, a maker of computer terminals, bought for £76,000 and now worth £5.62m.

HATT was managed directly by Hambros until April 1986 but was then transferred to Top Technology, a company 75 per cent owned by Hambros with the remaining shares owned by a company owned by Mr Harry Fitzgibbons, Top Technology's managing director.

HATT usually limits its initial investment in companies to £500,000 though the first tranche of investment may be for less than this amount.

Net assets have risen from £8.43m at March 31 1983 to £38.59m at March 31, 1987. It disposed of shares in its investments worth £3.3m in the four years to March 1987 and made a profit of £2.2m before tax. Total realised losses and write-offs since August 1982 amounted to £1.28m on eight investments.

MICROGEN HOLDINGS: One of company's Scandinavian subsidiares has agreed to purchase the laser printing assets and goodwill of Data Sats Information A/S, based in Copenhagen, for approximately £135,000.

Ward White pays chairman £317,000

MR PHILIP BIRCH, chairman and chief executive of Ward White, the acquisitive retail group, saw his remuneration increase from £225,000 to £317,000 in 1986/87, according to the company's annual report. The majority of the remuneration was linked to group performance.

The report also reveals that the company wrote off £188.7m of goodwill last year—£78.4m in respect of Payless, the DIY group bought from Marley in March 1986 for £94m, and £110.3m for LCP, which it won after a contested bid battle for £173m in December.

Rushlake cuts its holding in Mitchell Cotts to 12.5%

BY CLAY HARRIS

Rushlake Holdings confirmed yesterday that it had sold more than a quarter of its stake in Mitchell Cotts, the engineer, contractor and international trader facing a hostile £74m takeover bid from Suter, the engineering and distribution group.

Rushlake, a private company controlled by the Jivraj family, reduced its holding from 17.4 per cent to 12.5 per cent with sales in the market on Wednesday. It had rejected an offer from Suter, before the bid was launched, worth 70p a share.

Mr David Abell, Suter chairman and chief executive, told shareholders at yesterday's annual meeting that all operating subsidiaries except the packaging activities in Francis Industries had performed very satisfactorily over the first four months of the current year.

He said that the Mitchell Cotts offer had been pitched at a realistic price consistent with Suter's acquisition policy.

"We are not prepared to pursue such targets regardless of cost, particularly in a stock market climate which encourages inflated expectations."

With Suter shareholders' approval of a one-for-five scrip issue, the bid terms have been adjusted to three-for-10.

UNITYCORP TRUST (formerly Wemyss Investment Trust): Net asset value per £1 share improved from 109.8p at end-March 1986 to 124.6p a year later, and from 109.8p to 123.9p after adjustment of rights attached to warrants. Stated earnings per share in the six months to March 31 were lower at 1.06p compared with 1.86p. Pre-tax profits fell from £382,000 to £220,000.

Barry Wehmiller to join SE valued at £30.6m

BY RICHARD TOMKINS

Barry Wehmiller International, a Cheshire-based packaging equipment group which has outgrown its USparent, is seeking independence through a stock market flotation which will value the company at £30.6m.

It is coming to the market through an offer for sale sponsored by Hill Samuel, the merchant bank, with Wood Mackenzie as stockbroker. The prospectus will be published on Tuesday.

Nearly 15.87m shares in BWI—some 70 per cent of its equity—are being offered at 135p a share. Some 2.44m shares are being sold by BWI and hte balance are being sold by Barry-Wehmiller Company, the Missouri-based parent.

BWI has three divisions. One supplies vision systems—electronic devices which check for contaminants in food and drink. Another supplies machines that put tops on bottles and containers. The third supplies bottling machinery.

The company was set up in 1951 as a European subsidiary of its US parent. It was 55 per cent owned by Stone Platt Industries until 1981, when Stone Platt sold its stake to the US parent as part of its rationalisation programme.

Originally a specialist in bottle washing equipment, BWI has diversified into other markets since 1981—partly through a series of acquisitions. Today its fastest growing division is vision systems, and it is also benefiting from the demand for sealing machinery for non-permeable plastic containers such as the new Heinz squeezy ketchup bottle.

The prospectus will show pre-tax profits of £1.7m for the year to last July on turnover of £21.8m, and for the current year BWI is forecasting profits of £3.5m on turnover of £25m. Its shares will therefore be offered on a prospective price/earnings ratio of 9.3 on an actual tax charge and 12.7 on a notional 35 per cent.

An offer for sale has been chosen because the amount of money being raised, £21.4m, is above the £15m limit on placings.

British Borneo to over £2.3m

British-Borneo Petroleum Syndicate, an investment holding and dealing company, increased its pre-tax profits from £1.91m to £2.31m in the year to March 31 1987. The total dividend is raised from 20p to 22.5p net with a final up from 14p to 15.5p. Stated earnings per 10p share improved from 27.5p to 34.4p.

The directors said they had taken the opportunity of high stock market values to realise a higher than normal dealing profit.

Castings rise 21% to £1.9m

Castings, West Midland-based malleable ironfounder, reported a 21 per cent increase in taxable profits for the year to the end of March 1987. And with all foundries working to capacity the board said it was looking forward to a period of stability with low inflation.

On turnover up from £13.22m to £14.59m, a rise of 10 pct cent, pre-tax profits were £1.87m (£1.55m). After tax of £571,000 (£452,000) earnings per 10p share came out at 12.67p (10.69p).

An increased final payment of 2.75p (2.1p) is being proposed making the total for the year 3.75p (3p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
British Borneo	15.5	July 17	14	22.5	20
Bromsgrove Ind.	1.15	July 23	0.9	1.65	1.3
Castings	2.75	—	2.2	3.75	3
Deritend Stamping	6.3	July 18	5.6	9	8
Hambros Inv.	3.8	—	3.3	5	4.5
C. E. Heath	17.89†	July 3	17.4	25	24.5
High Gosforth Pk	20§	—	20§	20	20
Nu-Swift Ind	5.25	July 1	2.25	7	3.5
Priest Manars	1.5	—	1.4	1.5	1.4
Shires Investment	5	July 30	5.75	14	13.25
Triefus	1	—	0.05	1	0.05
Underwoods	1.5	—	—	2.5	—
Wordplex	nil	—	nil	nil	0.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Includes 5p bonus.

COMMODITIES AND AGRICULTURE

Moving house broadens LCE's options

BY DAVID BLACKWELL

THE LONDON Commodity Exchange hopes that the move to its new building at Commodity Quay, St Katharine Docks, this weekend, will herald a much-needed upturn in its fortunes.

The move will bring trading in soft commodities in London under one roof for the first time, ending the fragmented trading practices which have done nothing to help the LCE in its battle to retain business in the face of competition from the powerful US exchanges, and the highly-successful London Financial Futures Exchange.

"We can now provide an attractive trading environment to bring more business to London," said Mr Saxon Tate, chair-

In addition to the convenience factor, the LCE hopes that the move to one trading floor will help its members to cut the costs of administration and telecommunications.

Although cocoa and sugar have both been trading at 52 Mark Lane, the exchanges are well away from each other. The coffee market has been operating at Plantation House, off Fenchurch Street.

The International Petroleum Exchange, which has been trading at 21 Mark Lane, will be joining the LCE on the same trading floor in the £5.5m development.

The LCE had planned to move to Commodity Quay at Easter, but the fitting out of the building was delayed by the strike of British Telecom engineers. It has waited for a Bank Holiday weekend to carry out the move in order to ensure that any last minute snags can be ironed out before trading starts in earnest on Tuesday.

Mr Tate said the exchange was going for 100 per cent success with the move, planning to stop trading this evening at the normal time and restart on Tuesday as if nothing had happened.

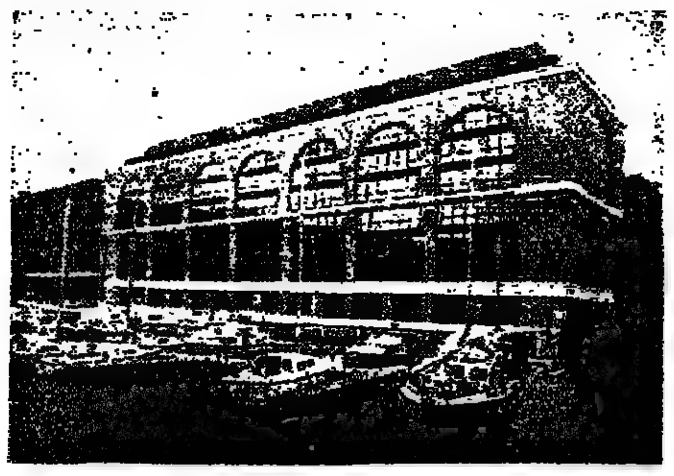
Sugar, coffee and cocoa are retaining the ring system of trading, whereas the IPE will adopt a pit system for its contracts in gas oil, heavy fuel oil, gasoline and crude oil.

Between the two trading areas a space has been reserved for traded options, which will be launched on July 20. Four contracts will be offered — on cocoa, sugar and coffee by the LCE and on gas oil futures by the IPE.

The LCE sees the introduction of options as a vital step in increasing the volume of business at the exchange, which last year traded 3.5m lots worth £40bn, compared with just over 2m lots in 1985. In addition, options should prove attractive to "locals" — traders who earn their living by operating on their own account.

The first 20 locals will be able to start trading on June 10. The exchange is now taking applications for the remaining 30 places.

The increased volume that the LCE believes will be generated by locals and options will "prove to the world that the LCE means business," said Mr Tate. More new products were planned, which would help the exchange to capitalise on "the much more positive attitude" he had seen in the industry over the past year.



Trevor Humphries

Commodity Quay—LCE trading comes under one roof

Oxfam calls on EC to reduce sugar surplus

By David Blackwell

OXFAM IS urging the European Community to reduce its sugar beet surpluses, which it blames for depressing world sugar prices. This in turn increases the poverty of 12m Third World sugar cane workers and their families.

The use of sugar substitutes and high fructose corn syrup in the US is exacerbating the problem, according to a report published by the charity.*

The report calls for major producers to agree market shares and draw up a new International Sugar Agreement to stabilise world prices. It wants cane producers to be given financial compensation for the loss of markets, and rich world governments to insert into trade agreements "fair labour" clauses designed to ensure reasonable pay and working conditions on cane plantations.

It also urges Third World governments to speed up land reform and help sugar workers diversify into alternative production — particularly of food crops.

Ms Belinda Coote, author of the report, who looked at sugar growing areas in the Philippines, Jamaica and Brazil, admits that the causes of the world sugar crisis are complex — but "without urgent international action the toll of human misery will continue to mount," she warns.

● The International Sugar Organisation is forecasting a "statistically insignificant" surplus of world production over consumption this year.

It puts 1986/87 (October-September) production at 102.3m tonnes and 1987 consumption at 101.9m tonnes. It says it is improbable that prices will rise above 10 cents a lb from the current seven cents.

* *The Hunger Crop—Poverty and the Sugar Industry. Oxfam Publications, 274 Banbury Road, Oxford OX2 7DZ.*

Japanese electricity concern wins Australian coal price cut

FINANCIAL TIMES REPORTER

AUSTRALIAN coal suppliers have conceded an 8 per cent price cut to Chugoku Electric Power, Japan's biggest steam coal importer, ending a two-month impasse.

The reduction lowers to $29.40 a tonne from $31.98 the base price Chugoku will pay to four Australian suppliers in the contract year starting April 1.

The contracts are subject to Australian Government approval. Australian coal industry officials were quoted as saying that in Australian dollar terms the new price was 22 per cent below last year's price.

The deal with Chugoku is expected to set the trend for contract renewals between Japan's other private utilities and Australian mines which supply about 14m tonnes of power station coal a year to Japan.

Meanwhile, Japan's contracting steel industry is continuing to exact equally painful price concessions from overseas suppliers of coking coal. Six major Japanese steel mills have just completed a second abortive round of negotiations with Pittston Coal Export Corporation of the US in an effort to renew the contract which expired at the end of March.

Japan imported nearly 11m tonnes of US coal in 1986-87, of which Pittston supplied 3.5m tonnes. The Japanese claim other suppliers have dropped their prices by between $5 and $10 a tonne compared with last year and are seeking a cut of at least $5 from Pittston. But so far the two sides have failed to agree on either price or tonnage.

Price boost for Ghana cocoa to aid crop improvement

MR KWAME OWUSU, chief executive of Ghana's Cocoa Board, has announced a sharp rise in the country's cocoa producer price in an effort to maintain the momentum of a successful rehabilitation project for its main export, reports Reuter from Accra.

He said the new price payable at all buying centres from the forthcoming mid-crop season would be 4,200 cedis per 30-kilo headload (equivalent to £526 a tonne), compared with 2,550 cedis paid during the past 12 months.

Mid-crop purchases are due to begin soon although the official opening of the season has not yet been announced.

He also said farmers would be paid an additional bonus of 10,000 cedis (£38) per tonne of cocoa if they attained a 24 per cent increase in yields over the previous year, the Ghana News Agency reported.

Mr Owusu said the bonus had been set to encourage farmers to improve efficiency following the channelling of a large amount of foreign exchange into the West African nation's cocoa sector during the past few years.

Ghana, the world's third largest cocoa producer, launched an ambitious World Bank-backed rehabilitation project in 1983.

Successive producer price rises, replanting of cocoa trees burnt during 1983 bush fires and efforts to make available sprays and consumer goods to farmers have rekindled their interest in cocoa and production has risen.

Ghana's current total crop is expected to be around 230,000 tonnes and Mr Owusu said it was on course to produce 250,000 tonnes next season.

He said the Government had worked out a scheme to ensure that any benefits from a net rise in cocoa revenue, through higher world prices or variations in the value of Ghana's currency, would be passed on to the farmer. He did not elaborate.

Under a weekly currency auction system introduced last September, the cedi is now worth about 160 to the dollar compared with 90 when Ghana set its cocoa producer price last year.

In other comments, Mr Owusu said smuggling of cocoa into neighbouring Ivory Coast and Togo, once a serious drain on Ghana's foreign exchange reserves, had fallen to 3 per cent of total output because of frontier patrols and the increased earnings of farmers.

About 13,000 Cocoa Board staff were laid off last month as part of a major restructuring exercise to improve efficiency, he added.

Shadows over Mauritanian iron ore

BY PETER BLACKBURN, RECENTLY IN NOUADHIBOU

A NEW defensive wall built by Morocco to keep out the Algerian-backed Polisario, who are fighting for the independence of the Western Sahara, is casting a shadow over Mauritania's strenuous efforts to compete in a depressed world market for iron ore.

The shale and sand wall runs parallel to Mauritania's iron ore railway for about 220 kilometres between the small border town of Inal and the Atlantic Ocean.

The railway carries some 9m tonnes of iron ore annually from the mines at Zouerate to the northern port of Nouadhibou and the Mauritanian military regime of Colonel Ould Taya is concerned that the war could now spill across the border and disrupt shipments. The Mauritanians have painful memories of the disastrous war they fought with Morocco against the Polisario between 1976-78. Only two of the Societe Nationale Industrielle et Miniere iron ore company's 26 locomotives survived undamaged and exports slumped to 6.2m tonnes in 1978 from the record 11.7m tonnes in 1974.

The wall is an additional problem that the company could do without as it executes a drastic restructuring programme aimed at cutting costs and raising competitiveness.

The $92.2m programme, financed by the World Bank, Arab and western donors, is due to be completed by mid-1988. The company has just finished slimming its labour force by laying off more than 20 per cent of its 6,000 workers.

"Production capacity is unaffected as productivity has been raised," Mr Moulaye Melainine, director of control, pointed out.

The company has also streamlined its activities to concentrate on iron ore production. It has sold controlling interests in a local steel rolling mill as well as hotel and catering businesses. These and other measures to reduce operational costs and improve management helped it make a small net profit of $5m on a turnover of $550m last year, according to Mr Mohamed Saleck Ould Heyine, the director-general.

He forecast a loss this year, however, because of "catastrophic" world prices combined with the depreciation of the US dollar.

The company has been obliged to accept an across-the-board 10 per cent price cut in negotiations recently concluded with its main customers. Prices are now lower than in 1975.

Although Mauritania is a relatively small iron ore exporter, compared with Brazil and Australia, the industry is vitally important in terms of jobs and hard currency earnings.

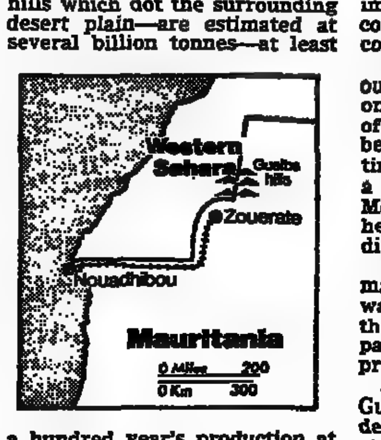
It is the country's second most important hard currency earner, after fish, yielding some $150m annually. About 95 per cent of Mauritania's iron exports go to Western Europe.

Despite the slack world market the company plans to expand exports through aggressive marketing. It has set an export target of 10m this year, up from 8.9m tonnes in 1986.

The increase would be made by developing new markets in the US, Turkey and Pakistan. Even so it would still be operating well below its 12m-tonnes-a-year capacity.

The company does not expect to be squeezed out of the market with the start-up of the giant Carajas project in Brazil. The high quality Mauritanian iron ore is seen by officials as "complementary" to the low silicate content Brazilian ore. Neither does it have any supply problems, even though the four existing mines in the Kedia D'idjil mountains near Zouerate will soon run out.

Reserves in the nearby Guelbs—the black quartzite hills which dot the surrounding desert plain—are estimated at several billion tonnes—at least a hundred year's production at present rates.



The first phase of the Guelbs project started production at El Rhein, 25 kms north-east of Zouerate in July 1984, but various technical problems at the ore enrichment plant have slowed the build up of production, according to Mr Joel Fave-Lesage, the director of studies and development.

The Guelbs ore has a much lower iron content—37 per cent compared with 64 per cent in the Kedia—and so needs more enrichment, thus raising production costs.

Because of an acute shortage of water a prototype plant using an entirely dry ore enrichment process was designed with a nominal capacity of 6m tonnes a year. Output last year totalled only 1.5m tonnes, however.

Water is also a major problem at Zouerate, where the population has risen to nearly 50,000. During the hot season extra supplies have to be brought in by train.

Energy supply is another problem at Zouerate and imported fuel is one of the company's biggest production costs.

The heat and sand pose serious daily problems especially on the railway. Temperatures of over 50 degrees centigrade between June and August sometimes bring the locomotives to a standstill, according to Mr Mohamed Abderrahmane Taleb, head of the company's railways division.

Fortunately the slack world market combined with an upward revision of reserves in the Kedia has given the company more time to iron out problems at the El Rhein plant.

As a result phase two of the Guelbs project, involving the development of a second mine at Oum Arwagen and construction of a 9m tonnes-a-year enrichment plant, originally scheduled for 1990, could be delayed until the mid-1990s.

The delay also provides the company with a breathing space to service the $350m debt incurred in the first phase of the Guelbs project, before incurring extra debt. The heavy debt service burden has been increased by revenue shortfalls due to production problems.

The company is hoping that its financial backers will take account of the difficult market situation and soften loan repayment terms as well as providing new money at a meeting early next month.

LONDON MARKETS

COCOA values on the London futures market staged a modest rally yesterday as attention centred on the operations of the International Cocoa Organisation's buffer stock manager. The fall in the organisation's 10-day indicator price below the "must buy" trigger level on Wednesday had made it certain, rather than merely probable, that the bsm would be active in the market, and this had a steadying influence. The July futures prices closed £7.50 up at £1,263 a tonne and the organisation's daily indicator price also moved somewhat higher. But the new daily indicator was lower than the one it replaced in the calculator of the average, so the average itself fell further to 1,596 special drawing rights a tonne, against a trigger level of 1,600 SDRs. The buffer stock manager announced last night that he had bought another 4,000 tonnes of cocoa in the second hand market, the same figure as that which had left dealers "unimpressed" on Wednesday. But some dealers were yesterday coming round to the view that regular purchases of this order could be sufficient to push prices back above the trigger level.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	846-8	+12.5	855
3 months	849-50	+10	856/846

Official closing (am): Cash 853-4 (834-4.5); three months 854-5 (835.5-40); settlement 854 (834.5). Final kerb close: 850-1. Turnover: 19,925 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	908-9	—5.5	923
3 months	889-90	+0.25	896/886
Standard			
Cash	874-5	—2	—
3 months	855-6	—5.5	—

Official closing (am): Cash 921-2 (915-6); three months 897-8 (890.5-1); settlement 922 (916). Final kerb close: 880-1.

Official closing (am): Cash 833-4 (877.5-8); three months 869-70 (865-6); settlement 884 (878). US producer prices 70-76 cents per lb. Total turnover: 42,875 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	435-40	—7.5	448/446
3 months	387-7.5	+2.75	388/383

Official closing (am): Cash 445-6 (450-1); three months 387.5-8.5 (383.5-8); settlement 446 (451). Final kerb close: 388-8.5. Turnover: 11,800 tonnes. US spot: 24-27 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2590-600	+2	—
3 months	2605-15	+1	2650/2590

Official closing (am): Cash 2600-5 (2620-30); three months 2615-6 (2641-5); settlement 2605 (2630). Final kerb close: 2600-5. Turnover: 2,436 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	487-8	+1	—
3 months	483-4	+2	489/483

Official closing (am): Cash 491-2 (499-500); three months 488-9 (493.5-4); settlement 492 (500). Final kerb close: 481.5-3. Turnover: 13,175 tonnes. US Prime Western: 41.50-45.75 cents per lb.

TIN

KUALA LUMPUR TIN MARKET: Close 16.73 (16.69) ringgit per kg. Up 0.04 ringgit per kg.

SILVER

Silver was fixed 21.35p an ounce lower for spot delivery in the London bullion market yesterday at 533.95p. US cent equivalents of the fixing levels were: spot 897.5c, down 40.5c; three-month 914c, down 41.7c; six-month 930.70c, down 42.95c; and 12-month 965c, down 44.15c. The metal opened at 536-540p (902-907c) and closed at 525-529p (885-890c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	533.95p	—21.35	525p	—18
3 months	545.25p	—21.5	552p	—17
6 months	556.15p	—22.1	—	—
12 months	577.20p	—22.7	—	—

LME—Turnover: 0 (1) lots of 10,000 oz.

Three months final kerb: 534-6p.

GOLD

Gold fell $7¼ an ounce from Wednesday's close in the London bullion market to finish at $469¾-470¼. The metal opened at $472-472½ which proved to be the day's high and touched a low of $467¼-468¼. A firmer dollar trend following market approval of the debt provision made by Citicorp tended to depress gold. However, it retained a bullish undertone and much depends on today's release of GNP and inflation figures.

GOLD BULLION (fine ounce)	May 20	
Close	$469¾-470¼	(£279½-280)
Opening	$472-472½	(£280¾-281¼)
M'n'g fix	$468.60	(£278.929)
Aft'n'n fix	$469.10	(£279.226)

GOLD AND PLATINUM COINS		
Am Eagle	$483-488	(£287¾-290¾)
Mapleleaf	$483½-488½	(£288-289¾)
Kr'g'r'nd	$474-477	(£282½-284)
½ Krug	$249½-249½	(£148-148½)
¼ Krug	$124½-125½	(£74-74¾)
Angel	$480½-485½	(£286-287)
1/10 Angel	$47-52	(£28-40)
New Sov	$110½-111½	(£66-66½)
Old Sov	$110½-112	(£65¾-66¾)
$20 Eagle	$510-560	(£305¾-333½)
Noble Plat	$633-643	(£377-383)

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 101.14p per kg lw (+1.46). GB—Sheep 264.70p per kg est dcw (—18.39). GB—Pigs 79.92p per kg lw (—2.83).

FUTURES—Live cattle: June 100.50, sales 5.

INDICES

REUTERS

May 20	May 19	M'th ago	Year ago
1525.9	1538.6	—	1764.5

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	May 20	May 19	M'th ago	Year ago
Spot	131.40	130.75	—	125.72
Fut	130.64	131.26	—	117.96

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

	May 21 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1360/375	+20	$1320/1370
Copper			
Cash Grade A	£908.5	—5.5	£877.5
3 months	£889.5	+0.25	£862.25
Gold Troy oz	$470	—5	$458.375
Lead Cash	£437.5	—7.5	£357
3 months	£387.25	+2.75	£327.5
Nickel			
Free Mkt	195/214c	—3	177.5/197
Palladium oz	$147.25	—4.75	$145.00
Platinum oz	$611.00	—9.75	$605.25
Quicksilver†	$265/275		$245/255
Silver troy oz	533.95p	+21.35	509.10p
3 months	545.25p	+21.35	520.90p
Tin			
free Mkt	£4170/140	+25	£4210/240
Tungsten	$51.47	+4.84	$50.94
Wolfram 22.04lb	$50/55		$50/55
Zinc	£487.5	+1	£471.5
3 months	£483.5	+2	£471.5
producers	$790/840		$790
OILS			
Coconut (Phil)	$415v		$400
Palm Malayan	$347.5v	+2.5	$340
Seeds			
Copra (Phil)	$265u		$270
Soyabean (U.S.)	$146.5	—0.5	$143
GRAINS			
Barley Fut. Sept	£97.85	—0.35	£98.75
Maize	£149.00		£144.00
Wheat Fut. July	£121.90	—0.35	£123.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. July	£1263	+7.5	£1322.5
Coffee Ft. July	£1371	+10	£1539.5
Cotton A Ind.*	78.20c	+0.55	67.65c
Gas Oil July	$153	+1.25	$143.25
Rubber (Kilo)	63.5p	+0.5	62.5p
Sugar (raw)	$175z	—3.5	$166.5
Wooltops 64s	465p kilo	+2	471p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. w June-Aug. v July. u May-June. z June-July.

COFFEE

Robustas traded in light conditions within the recently established range, reports Drexel Burnham Lambert. Early commission house buying steadied the market but lacked follow-through. Without any new fundamental factors the market confined itself to a narrow range in quiet trading.

COFFEE	Yesterday close	+ or —	Business Done
May	1338-1340	+3.0	1350-1340
July	1370-1372	+10.0	1376-1360
Sept	1387-1390	+10.0	1399-1375
Nov	1395-1397	+4.5	1407-1391
Jan	1415-1418	—0.5	1421-1415
Mar	1430-1450	+10.0	1445
May	1450-1460	+5.0	1445

Sales: 2,960 (3,286) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for May 20: Comp. daily 1979 113.04 (112.56); 15-day average 111.47 (111.41).

COCOA

Futures steadied slightly on news of buffer stock intervention in the market but traded in a narrow range throughout a very dull session, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
May	1243-1248	+7.5	1245-1240
July	1262-1264	+7.5	1265-1256
Sept	1269-1270	+7.0	1272-1267
Dec	1297-1298	+8.0	1298-1294
March	1323-1325	+6.5	1326-1320
May	1343-1345	+7.5	1345-1340
July	1362-1366	+6.4	1365-1360

Sales: 2,102 (3,678) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for May 21: 1575.30 (1565.31); 10-day average for May 22: 1596.46 (1599.30).

FREIGHT FUTURES

With no physical news to induce buyers, levels drifted in thin conditions to close with small losses. The Gulf/Japan fixture on Wednesday rumoured at $18.00 was confirmed, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	1034	1040/1030	1038
Oct.	1050/1057	1050/1050	1050/1040
Jan.	1010/1030	1019/1018	1025
Apr.	1035/1050	1027	1040
July	930	900/930	945
Oct.	950	—	950
Jan.	970	—	970
April	1110	—	1090
BFI.	1084.5	—	1087.5

Turnover: 174 (381).

GRAINS

Old crop wheat, after an unchanged start, firmed 50p before losing early gains on merchant and shipper selling to close on an easier note. Old crop barley again faltered on stop-loss selling, trading and closing at 50p down. New crops reflected trade uncertainty over farm price income, easing 30p before regaining losses to close steady on consumer support, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
May	120.60	+0.10	105.00	—0.50
July	121.90	—0.35	—	—
Sep.	100.80	—	97.85	—0.35
Nov.	102.90	—	100.35	—0.15
Jan.	105.45	—	102.80	—0.10
Mar.	107.95	—	105.15	—0.15
May	110.85	—	106.90	—0.05

Business done—Wheat: May 121.00-20.50, July 122.55-1.90, Sept 100.65-0.60, Nov 102.80-2.60, Jan 105.45-5.20, Mar 107.95-7.75, May 110.85-10.75. Sales: 257 lots of 100 tonnes. Barley: May 105.00, Sept 98.00-7.85, Nov 100.35-0.30, Jan, Mar and May untraded. Sales: 24 lots of 100 tonnes.

LONDON GRAINS—Wheat: US hard winter 13½ per cent June 93.25, July 93.00, Aug 92.50. US No 2 soft red winter June 91.25, July 91.00, Aug 91.50. French 11½-12 per cent May 143.00. English feed fob June 122.50 reported paid east coast. May 122.00/122.50 buyers/sellers, June 122.50 seller, Sept 102.50/103.00, Oct/Dec 105.75/106.25, Jan/March 109.75/110.50 buyers/sellers. Maize: US No 3 yellow/French transhipment east coast May 149.00. Barley: English feed fob May 111.50, June 112.50 sellers, Aug 99.00/99.50 buyers/sellers, Sept 100.50 seller, Oct/Dec 104.00/105.00 buyers/sellers.

HGCA—Locational ex-farm spot prices. Feed Barley: S East 108.10, W Mids 106.00, N West 108.00. The UK monetary coefficient for the week beginning Monday May 25 is expected to be unchanged.

POTATOES

The market was steady, slowly moving upwards throughout the day in thin volume to close at the highs, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	91.60	90.60	91.80-91.30
Feb.	100.50	100.30	—
Apr.	126.90	125.70	126.80-125.80
May	140.50	138.00	139.00

Sales: 280 (213) lots of 40 tonnes.

US MARKETS

EARLY TRADE, local and commission house selling eased precious metal prices in early trading, reports Drexel Burnham Lambert. Gold, silver and platinum quickly made the lows of the day, but trade and bank support at the lows prompted short-covering as the markets all closed with pared losses on the day. Copper futures traded indifferently, but short-covering towards the close saw prices recover as the market closed marginally higher. A recovery in oil prices coupled with local short-covering steadied crude oil futures after early losses. Cocoa futures weakened on initial commission house selling, but prices rallied on trade buying. Coffee weakened with local and commission house selling. Cotton futures rallied strongly on commission house buying as the market made a technical break in the face of scale-up trade selling. Wheat futures lacked any significant feature despite reports of Soviet Union buying and reasonable export business. Maize futures rallied on a combination of firmer premiums and concerns over dry weather. The soyabean complex also firmed with added impetus from anticipated demand. Pork bellies tended to consolidate, but in cattle and hogs short-covering and fresh buying emerged

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
May	72.25	70.75	—	—
June	69.70	68.60	—	—
July	68.25	67.50	68.50	68.00
Sept	67.25	66.50	67.00	67.00
Dec	66.75	65.15	66.40	66.05
Jan	66.75	66.15	—	—
March	66.75	66.15	—	—
May	66.75	66.15	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	1946	1947	1955	1946
Sept	1978	1980	1986	1976
Dec	2016	2017	2024	2016
March	2055	2052	2058	2053
May	2081	2082	2084	2081
July	2104	2105	—	—
Sept	2128	2132	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	123.36	124.74	126.15	122.90
Sept	123.40	124.05	125.00	123.25
Dec	124.30	125.00	125.80	124.00
March	125.78	126.13	127.25	125.75
May	126.53	127.75	126.00	126.00
July	128.51	128.75	—	—
Sept	135.01	135.00	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
May	67.40	67.40	67.55	67.00
June	67.00	67.00	—	—
July	66.60	66.50	66.50	65.50
Sept	65.80	65.55	65.30	64.35
Dec	65.60	65.70	65.80	65.00
Jan	65.65	65.30	—	—
March	65.75	65.55	65.85	65.20
May	66.00	66.25	66.05	66.05
July	66.25	66.55	66.20	66.20
Sept	66.50	66.85	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
July	73.45	71.45	73.45	71.60
Oct	72.60	70.50	72.60	71.05
Dec	72.15	70.30	72.30	70.55
March	72.80	71.02	73.02	71.32
May	73.30	71.40	73.40	71.80
July	73.50	71.80	73.60	73.00
Oct	69.80	68.00	69.30	69.20

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
July	19.15	19.03	19.22	18.90
August	18.89	18.74	18.93	18.64
Sept	18.78	18.63	18.81	18.57
Oct	18.71	18.59	18.76	18.55
Nov	18.68	18.58	18.70	18.54
Dec	18.67	18.54	18.65	18.51
Jan	18.62	18.52	18.62	18.53
Feb	18.56	18.50	18.58	18.58
March	18.51	—	18.51	18.51
April	18.45	—	18.48	18.45

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
May	469.5	472.3	471.5	470.0
June	470.3	473.3	472.8	468.7
July	473.1	476.1	474.0	474.0
August	476.3	479.2	478.8	474.5
Oct	482.3	485.2	484.5	480.0
Dec	488.5	491.4	490.8	486.5
Feb	495.3	498.2	497.2	493.5
April	502.0	504.9	503.5	500.5
June	509.0	511.9	511.0	508.5
Oct	523.7	526.6	524.0	521.5
Dec	531.1	534.0	532.0	529.0
Feb	538.6	541.5	540.0	536.0

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
June	52.30	51.62	52.60	51.30
July	51.60	50.54	51.95	50.50
August	51.40	50.90	51.80	50.70
Sept	52.10	51.63	52.35	51.70
Oct	52.75	52.33	52.90	52.60
Nov	53.70	53.02	53.70	53.40
Dec	54.00	53.73	54.00	53.95

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	130.95	130.70	131.00	129.80
Sept	127.95	127.60	127.90	127.00
Nov	125.30	125.95	126.30	125.10
Jan	126.00	125.50	126.00	125.10
March	125.00	125.50	—	—
May	126.00	125.90	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
June	616.2	623.1	—	—
July	617.7	624.6	622.0	612.5
Oct	624.5	631.6	629.5	620.5
Jan	632.0	639.1	634.0	629.0
April	639.5	646.6	636.0	636.0
July	647.0	654.1	645.0	640.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
May	877.9	912.4	880.0	880.0
June	879.5	914.5	902.0	880.0
July	886.5	920.5	907.0	882.0
Sept	896.6	932.3	912.0	892.0
Dec	915.8	952.2	927.0	910.0
Jan	922.5	958.4	—	—
March	935.1	972.1	950.0	932.0
May	948.0	986.9	—	—
July	963.2	1001.6	972.0	960.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
July	7.19	6.94	7.22	6.97
Sept	7.30	7.15	7.34	7.08
Oct	7.35	7.30	7.38	7.24
Jan	7.76	7.63	7.53	7.53
March	7.92	7.75	7.98	7.80
May	8.08	7.90	8.04	7.84
July	8.19	8.04	8.19	7.97
Oct	8.32	8.23	8.32	8.10

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	66.32	65.52	66.60	65.75
Aug	61.00	60.12	61.37	60.15
Oct	60.80	60.25	61.15	60.13
Dec	61.65	61.40	62.10	61.10
Feb	61.90	61.90	62.20	61.40
April	63.20	62.90	63.20	62.70
June	62.52	62.10	62.52	62.25

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	56.90	56.60	57.25	56.10
July	53.82	53.15	54.45	52.95
Aug	49.27	48.97	49.85	48.65
Oct	43.70	43.77	44.30	43.40
Dec	43.35	43.65	44.—	43.30
Feb	42.37	42.22	43.22	42.32
April	40.10	40.15	40.75	40.07
June	42.30	42.60	42.30	41.80
July	42.00	42.00	—	—

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
July	188.6	184.6	189.4	184.0
Sept	190.6	187.0	191.4	187.0
Dec	194.4	190.2	194.6	189.4
March	201.6	197.4	201.6	197.0
May	204.2	200.0	204.4	200.0
July	205.6	201.4	205.6	201.9
Sept	204.6	202.0	204.6	204.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
May	72.00	71.87	73.36	71.90
July	68.62	68.90	69.55	67.90
Aug	64.75	64.65	65.62	63.87
Feb	57.85	57.77	58.50	57.30
March	57.62	57.05	57.95	57.25
May	59.00	58.90	59.00	58.05

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
July	559.6	549.0	560.4	547.0
Aug	564.0	552.4	565.0	551.0
Sept	565.0	552.0	565.0	551.0
Nov	571.0	559.0	573.0	565.0
Jan	578.6	565.6	580.0	564.4
March	587.0	574.6	587.4	573.4
May	592.4	580.0	595.0	585.0
July	590.4	581.0	597.0	587.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	167.2	162.9	167.5	162.2
Aug	168.2	163.2	168.5	162.8
Sept	169.5	164.5	169.5	164.0
Oct	171.0	165.5	171.0	165.0
Dec	172.0	167.2	172.5	166.5
Jan	173.0	168.5	173.0	169.0
March	176.5	170.5	176.5	171.5
May	176.0	172.0	176.0	175.0
July	177.2	172.0	177.0	177.5
Aug	177.7	172.0	177.5	178.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	17.04	16.69	17.05	16.78
Aug	17.20	17.08	17.22	16.97
Sept	17.41	17.29	17.45	17.15
Oct	17.60	17.46	17.62	17.35
Dec	17.90	17.77	17.95	17.65
Jan	17.98	17.89	17.98	17.85
March	18.25	18.15	18.25	18.15
May	18.55	18.45	18.30	18.60
July	18.55	18.45	18.50	18.60

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
July	290.0	290.4	291.4	288.0
Sept	293.4	293.0	296.0	291.4
Dec	301.0	300.2	301.4	298.0
March	302.4	301.4	302.4	300.0
May	292.0	291.4	—	—
July	278.0	280.0	—	—

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 883.0 (910.0) cents per troy ounce. New York tin 319-23 (318-23) cents per pound.

SOYABEAN MEAL

	Yesterday's close £ per tonne	+ or —	Business done
June	123.8-124.5	+0.30	123.6
August	122.0-122.5	—	121.6
October	123.5-123.9	+0.75	123.5
Dec	125.3-125.8	+0.40	125.5-124.8
Feb	129.0-129.2	+1.10	129.0
April	127.5-129.5	—0.55	—
June	127.5-129.5	—0.25	—

Sales: 230 (254) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $175.00 (£104.00) down £3.50 (down £1.50) a tonne for June-July delivery. White sugar $190.00, down $3.50.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	160.8-161.0	157.2-157.6	162.0-155.6
Oct	167.6-168.0	164.0-164.4	169.2-162.4
Dec	170.8-172.2	167.0-169.2	167.4-
Mar	175.8-176.0	172.2-172.4	177.4-171.4
May	179.0-180.0	175.6-176.4	—
Aug	182.0-184.6	179.0-180.4	—
Oct	183.0-184.6	180.0-184.0	184.6

Sales: 2,489 (2,477) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £208.00 (£209.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for May 20: Daily price 6.76 (6.86): 15-day average 6.81 (6.82).

PARIS—(FFr per tonne): Aug 1137/1140, Oct 1167/1171, Dec 1182/1182, March 1220/1230, May 1250/1265, Aug 1280/1295.

RUBBER

PHYSICALS—The London market opened about unchanged, attracted little interest throughout the day and closed quiet and uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 63.50p (63.00p); June 63.25p (62.75p); July 62.75p (62.25p). Kuala Lumpur fob price (Malaysian/Singapore cents) per kg: RSS No 1 238.0 (236.0); SMR 20 205.0 (203.0).

FUTURES—Index 592. June 588-591, July 588-591, July/Sept 588-591. Sales: Nil.

OIL

Brent prices recovered from early lows in moderate trade concentrated in July. July WTI opened 13c down on Nymex but traded 11c up at 1.30 pm EDT. Petroleum products prices fell on greater availability due to more Middle Eastern oil being refined in Europe—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—June		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.05-17.15*	—0.05
Brent Blend	18.55-18.65	—0.05
W.T.I. (1pm est)	19.75-19.85	—0.175
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	200-203	—1.5
Gas Oil	150-152	—
Heavy fuel Oil	105-108	—1.5
Naphtha	165-167	—1

* July

Petroleum Argus estimates

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or —	Business done
June	108.00	—0.50	106.00
July	—	—	—

Turnover: 1 (5) lots of 100 tonnes.

GAS OIL FUTURES

Month	Yestrdy's close US$ per tonne	+ or —	Business Done
June	152.00	+1.00	152.50-51.00
July	153.00	+1.25	153.50-51.25
Aug	155.00	+1.00	155.25-53.00
Sept	156.25	+1.00	156.75-55.50
Oct	158.50	+1.75	—

Turnover: 3,088 (3,184) lots of 100 tonnes.

Emap awards contract to TNT

TNT NEWSFAST has won a contract to handle the distribution of 42 of EMAP's consumer and leisure titles, its biggest magazine distribution contract.

The decision ends a 34-year association between Emap and British Rail. The publications include six weeklies and the contract involves collection from 11 printing centres throughout the UK.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound steady

THE DOLLAR finished slightly firmer overall but mainly as a result of shortcovering. This followed a change of sentiment in market attitude to Tuesday's announcement of a large debt provision by the US bank Citicorp. The realisation that Third World exposure ought to be downgraded from the book value was greeted as a breath of fresh air and while the implications for other US banks was less than clear, it seemed that confidence in the dollar was not impaired.

In addition there was little incentive to push currencies outside their recent trading range ahead of today's revision to US first quarter GNP figures. Particular attention was likely to be paid to the implicit price deflator, providing as it does, a good indication of the pace of inflation.

The dollar closed at DM 1.7770 from DM 1.7745 and Y140.45 compared with Y139.80. Elsewhere it finished at SFr 1.4590 from SFr 1.4540 and FFr 5.9475 from FFr 5.9350. On Bank of England figures, the dollar's exchange rate index rose from 99.7 to 100.2.

STERLING—Trading range against the dollar in 1987 is 1.6835 to 1.4710. April average 1.6316. Exchange rate index 73.7, unchanged from the opening and Wednesday's close. The six months ago figure was 67.5.

Sterling remained very steady throughout the day. Earlier it had lost a little ground as the market reacted to an opinion poll which suggested a narrowing of the Conservative lead in the run up to the general election. However, sentiment remained basically firm and with so much good news already written in to sterling's value, the odd hiccup was always likely to occur. The pound closed at $1.6795 down from $1.6835 and DM 2.9850 compared with DM 2.9875. Against the yen it was firmer at Y236 from Y235.25 and SFr 2.45 compared with SFr 2.4475 but eased to FFr 9.9875 from FFr 9.9925.

D-MARK —Trading range against the dollar in 1987 is 1.9305 to 1.7690. April average 1.8112. Exchange rate index 147.6 against 142.8 months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.7777 from DM 1.7697. Trading volume was low because most dealers were content just to square off positions ahead of US GNP data and the long weekend in the UK and US. Despite the short-term improvement in the dollar, traders still retained a bearish undertone, stressing that basic underlying fudamentals still pointed towards a dollar decline. The dollar closed at DM 1.7780 from DM 1.7685.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. April average 142.86. Exchange rate index 224.9 against 204.2 six months ago.

Trading was rather subdued in Tokyo with no fresh factors to influence the market. The dollar finished slightly firmer on short covering as traders took a more relaxed view of Monday's debt provision announcement by Citicorp. The dollar closed at Y140.05 compared with Y139.75 in New York and Y139.50 in Tokyo on Wednesday. The relatively narrow trading range was also a reflection of market caution ahead of today's first quarter US GNP revisions.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0153	+1.31	+0.65	±1.5344
Danish Krone	7.85212	7.80817	−0.56	−1.22	±1.6404
German D-Mark	2.05853	2.07615	+0.86	+0.20	±1.0981
French Franc	6.90403	6.94326	+0.57	−0.09	±1.3674
Dutch Guilder	2.31943	2.33878	+0.83	+0.17	±1.5012
Irish Punt	0.768411	0.775309	+0.90	+0.24	±1.6684
Italian Lira	1483.58	1505.72	+1.49	+1.30	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6830-1.6770	1.6790-1.6800	0.21-0.18c pm	1.39	0.51-0.46 pm	1.16
Canada	2.6060-2.6730	2.2640-2.2650	0.14-0.05c pm	0.50	0.11 pm-0.02 dis	0.08
Netherlands	3.35¾-3.37	3.35¾-3.36¾	1⅛-⅞c pm	3.57	3-2¾ pm	3.20
Belgium	61.79-62.02	61.85-61.95	10-7c pm	1.65	28-23 pm	1.65
Denmark	11.20-11.26	11.23-11.24	1⅜-1⅞ore dis	−1.74	3⅞-4⅛ dis	−1.34
Ireland	1.1125-1.1180	1.1160-1.1170	0.18-0.28 p dis	−2.47	0.40-0.60 dis	1.79
W. Germany	2.98-2.99¼	2.98-2.99	3¼-1½pf pm	4.77	3¾-3½pm	4.86
Portugal	231.97-233.86	232.68-233.86	101-153c dis	−6.54	360-448 dis	−6.94
Spain	209.06-209.58	209.08-209.37	78-130c dis	−5.97	332-420 dis	−7.19
Italy	2162½-2160	2164½-2165½	1-4 lire dis	−1.39	6-11 dis	−1.57
Norway	11.08-11.12¾	11.11-11.12	4¾-5½ ore dis	−5.53	15¾-16 dis	−5.62
France	9.98¼-10.00	9.98¼-9.99¼	½-par c pm	0.30	1⅛-⅞ pm	0.25
Sweden	10.45½-10.48½	10.45½-10.46½	⅝-1 ore dis	−0.93	2⅝-3¼ dis	−1.12
Japan	235½-236½	235½-236½	1-⅞ y pm	4.77	2⅞-2⅝ pm	4.66
Austria	20.96-21.02	20.96-20.99	8⅝-7½ c pm	4.54	23⅞-21¼ pm	4.50
Switzerland	2.44½-2.45½	2.44½-2.45½	1¼-1 c pm	5.20	3-2¾pm	4.69

Belgian rate is for convertible francs. Financial franc 62.10-62.20. Six-month forward dollar 0.81-0.76 c pm. 12-month 1.01-0.91c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6770-1.6850	1.6790-1.6800	0.21-0.18c pm	1.39	0.51-0.46 pm	1.16
Ireland†	1.5037-1.5073	1.5055-1.5065	0.55-0.50c pm	4.18	1.28-1.18 pm	3.27
Canada	1.3455-1.3490	1.3470-1.3480	0.09-0.11c dis	−0.89	0.35-0.38 dis	−1.08
Netherlands	1.9990-2.0050	2.0010-2.0020	0.37-0.33c pm	2.10	1.25-1.20pm	2.45
Belgium	36.79-36.90	36.80-36.90	3pm-Par	0.49	9-4 pm	0.71
Denmark	6.67¾-6.69¼	6.68¼-6.69¼	1.00-1.70ore dis	−2.42	3.15-3.85 dis	−2.09

CURRENCY RATES / STERLING INDEX / CURRENCY MOVEMENTS / OTHER CURRENCIES / £ IN NEW YORK / EURO-CURRENCY INTEREST RATES / EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds recover

LONG-TERM gilt futures recovered on the London International Financial Futures Exchange yesterday, as the market regained its poise, after Wednesday's shocks and rumours.

The Citibank loss and increased loan loss provision provided the shock, and the opinion polls, ahead of the UK general election provided the rumours.

The Harris poll for TV-AM confirmed market fears that a poll would show the Conservatives lead cut sharply to 3 percentage points, but traders gained some consolation from two other polls, in the morning press, still showing a strong lead for the Tories.

June long-term gilts opened firmer at 126-01, and touched a low of 125-18. The contract rose to a peak of 126-08 and closed at 126-03, compared with 125-26 previously.

US Treasury bond futures were firmer, as dealers reconsidered the Citibank move, and decided the bank's action on debt was likely to be more constructive than at first feared.

Bonds for June delivery opened at 88-00, and fell to a low of 87-29. The highest level touched was 88-24, and the contract closed at 88-09, against 87-22 on Wednesday.

The surprise move of the US Federal Reserve to drain liquidity from the New York banking system on Wednesday, through matched sales, was seen as a possible indication this week's Federal Open Market Committee meeting decided to tighten its monetary stance, following recent signs of inflationary pressure, and to defend the dollar.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
120	6.06	7.00	0.00	1.00
122	4.06	5.35	0.00	1.35
124	2.06	4.13	0.00	2.13
126	0.06	3.00	0.00	3.00
128	0.00	2.16	1.58	4.16
130	0.00	1.34	3.58	5.34
132	0.00	1.05	5.58	7.05
134	0.00	0.44	7.58	8.44

Estimated volume total, Calls 2,942 Puts 1,341
Previous day's open int: Calls 29,324 Puts 16,987

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
80	8.02	7.63	0.46	1.39
82	6.31	6.40	1.11	2.16
84	5.06	5.27	1.50	3.03
86	3.58	4.23	2.38	3.63
88	2.46	3.29	3.26	5.05
90	1.51	2.45	4.31	6.21
92	1.13	2.05	5.07	7.45
94	0.50	1.36	7.30	9.12

Estimated volume total, Calls 0 Puts 1
Previous day's open int: Calls 186 Puts 266

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last May	Calls-Last June	Puts-Last May	Puts-Last June
19750	20.70	21.11	0.00	0.41
20000	18.20	18.82	0.00	0.62
20250	15.70	16.62	0.00	0.92
20500	13.20	14.52	0.00	1.32
20750	10.70	12.54	0.00	1.84
21000	8.20	10.70	0.00	2.50
21250	5.70	8.48	0.00	2.78
21500	3.20	6.92	0.00	3.72

Estimated volume total, Calls 13 Puts 31
Previous day's open int: Calls 290 Puts 423

LIFFE £/$ OPTIONS / LONDON SE £/$ OPTIONS / PHILADELPHIA SE £/$ OPTIONS / LIFFE—EURODOLLAR OPTIONS

LONDON / CHICAGO

CURRENCY FUTURES

MONEY MARKETS

Rates firm on poll

SLIGHTLY HIGHER interest rates were the result of one of yesterday's opinion polls, suggesting the Labour Party had reduced the Conservative lead to only three points.

Three-month sterling interbank rose to 8⅞-8¾ per cent from 8¾-8⅝ per cent, in reaction to the news, but any market nervousness about the outcome of next month's general election was tempered by sterling's steady performance, and no sign yet of concern by overseas holders of the pound.

Dealers also took note of events in the US, and the surprise draining of funds from the New York banking system by the Federal Reserve on Wednesday, suggesting this week's meeting of the Federal Open Market Committee might have agreed on tighter credit policy.

UK clearing bank base lending rate 9 per cent since May 8

In New York yesterday the Fed added reserves as expected by way of five-day system repurchase agreements. Federal funds were trading 6½ per cent when the central bank intervened to add temporary reserves, compared with an average of 6.6 per cent on Wednesday.

The Bank of England initially forecast a London money market shortage of £150m, but revised this to £100m at noon.

Help of £145m was provided. The authorities did not operate in the market before lunch, but in the afternoon bought £145m bank bills in band 1 at 8¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £218m, with a rise in the note circulation absorbing £55m and bank balances below target another £55m. These outweighed Exchequer transactions adding £180m to liquidity.

In Paris the Bank of France left its money market intervention rate at 7¾ per cent, when injecting funds into the money market against first category paper. The intervention rate was last changed on March 9, when it was cut from 8 per cent.

In Amsterdam call money was steady at 5⅛ per cent, as the Dutch Central Bank drained liquidity from the money market.

The authorities allocated funds at an unchanged 5.1 per cent, when accepting bids of DFl 2.4bn at a tender for eight-day special advances. This only partly replaced the DFl 3.7bn draining from the market, as an earlier six-day facility expired.

Subscriptions were meet in full, and the amount of money supplied was thought to be sufficent, when added to a new three-month credit quota, to cover the current money market credit shortage of between DFl 7.5bn and DFl 8bn.

FT LONDON INTERBANK FIXING / MONEY RATES / LONDON MONEY RATES

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, May 20, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.

24-hours a day trading capability.

Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.17254 SDR1=$US1.31217
As of May 20, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7$\frac{1}{16}$	8
Sibor:	7¾	8$\frac{1}{16}$

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6882	Papua New Guinea	Kina	0.8873
Albania	Lek	5.9827	Greece	Drachma	132.23	Paraguay	Guarani (o)	240.00
Algeria	Dinar	4.63	Greenland	Danish Krone	6.657		Guarani (p)	550.00
Andorra	French Franc	5.923	Grenada	E. Caribbean $	2.70		Guarani (d)	785.00
	Spanish Peseta	124.00	Guadaloupe	Franc	5.923	Peru	Inti (o) (n)	15.55
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	24.25
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00		Inti (f)	19.45
Argentina	Austral	1.595		Quetzal (&, f)	2.66	Philippines	Peso	20.48
Aruba	Florin	1.79	Guinea Bissau	Peso (3)	650.00	Pitcairn Islands	N.Z. Dollar	1.7227

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MAY 21 1987					WEDNESDAY MAY 20 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	139.98	−0.7	123.57	128.99	3.03	140.95	124.13	129.56	140.95	99.92	87.58
Austria (16)	88.65	−1.2	78.25	81.82	2.30	89.71	79.01	82.49	101.62	88.65	85.73
Belgium (47)	116.47	−1.1	102.81	106.27	4.49	117.76	103.70	107.01	123.62	96.19	78.74
Canada (131)	125.30	−0.9	110.61	122.26	2.49	126.43	111.34	123.27	136.17	100.00	100.24
Denmark (39)	117.28	−0.2	103.53	106.71	2.59	117.49	103.47	106.67	124.10	98.18	97.95
France (122)	112.18	−1.2	99.03	104.65	2.67	113.57	100.02	105.73	121.82	98.39	87.36
West Germany (90)	91.49	+0.0	80.76	84.52	2.20	91.47	80.55	84.39	100.33	84.00	82.04
Hong Kong (45)	108.80	−0.2	96.05	109.00	3.03	109.07	96.05	109.27	114.71	96.89	71.72
Ireland (14)	129.01	−0.2	113.88	120.70	3.61	129.22	113.80	120.66	131.86	99.50	85.14
Italy (76)	101.59	+0.1	89.68	97.80	1.69	101.52	89.41	97.39	112.11	94.76	103.23
Japan (458)	150.61	+0.5	132.95	133.71	0.49	149.89	132.00	132.46	161.28	100.00	72.99
Malaysia (36)	166.00	+0.8	146.54	157.93	2.40	164.71	145.05	156.54	166.00	98.24	67.39
Mexico (14)	173.81	−1.0	153.43	236.03	0.93	175.62	154.66	238.09	197.27	99.72	50.51
Netherland (38)	118.21	+0.4	104.35	107.98	4.11	117.68	103.63	107.39	120.14	99.65	87.73
New Zealand (27)	91.30	−1.1	80.60	83.68	3.24	92.28	81.27	84.50	100.59	83.93	64.95
Norway (24)	138.17	−1.2	121.97	124.10	2.04	139.86	123.17	125.05	139.86	100.00	90.52
Singapore (27)	137.99	+1.1	121.82	134.37	1.76	136.46	120.17	133.00	137.99	99.29	60.15
South Africa (61)	181.62	+0.3	160.33	123.12	3.19	181.03	159.43	124.63	186.74	100.00	86.76
Spain (43)	112.30	−1.7	99.14	105.92	3.87	114.25	100.61	107.23	121.31	100.00	81.53
Sweden (33)	114.37	+1.6	100.96	105.44	2.19	112.62	99.18	103.70	124.68	90.85	86.04
Switzerland (51)	95.94	+0.7	84.69	86.78	1.98	95.27	83.90	85.88	104.06	93.26	80.68
United Kingdom (338)	144.86	−1.0	127.88	127.88	3.27	146.27	128.81	128.81	148.66	99.65	96.20
USA (596)	114.71	+0.8	101.26	114.71	3.16	113.85	100.26	113.85	124.06	100.00	100.72
Europe (931)	119.14	−0.6	105.17	108.15	2.93	119.83	105.52	108.51	121.61	99.78	90.44
Pacific Basin (687)	148.66	+0.4	131.23	132.59	0.65	148.04	130.37	131.45	158.30	100.00	73.37
Euro-Pacific (1618)	136.89	+0.1	120.84	122.84	1.44	136.79	120.47	122.29	143.22	100.00	80.10
North America (727)	115.27	+0.7	101.76	115.14	3.12	114.52	100.85	114.38	124.60	100.00	100.70
World Ex. US (1824)	136.98	+0.0	120.92	129.18	1.50	136.92	120.58	129.08	143.09	100.00	80.86
World Ex. UK (2082)	126.65	+0.4	111.80	119.24	1.94	126.10	111.05	118.47	133.33	100.00	87.94
World Ex. So. Af. (2359)	127.93	+0.3	112.93	119.99	2.07	127.56	112.34	119.36	133.85	100.00	88.65
World Ex. Japan (1962)	117.66	+0.2	103.87	113.23	3.04	117.46	103.44	112.95	121.81	100.00	96.13
The World Index (2420)	128.27	+0.3	113.23	120.04	2.08	127.90	112.64	119.44	134.11	100.00	88.64

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$420	43	57	2	72	—	—	$469.75
GOLD C	$460	10	32	15	46A	13	58	"
GOLD C	$480	114	22.50	88	34A	10	45	"
GOLD C	$500	31	14.10	11	27	380	37	"
GOLD C	$520	316	8.50	420	19	—	—	"
GOLD P	$380	—	—7	25	1.50	—	—	"
GOLD P	$390	10	1	—	—	—	—	"
GOLD P	$420	60	3.30	—	—	—	—	"
GOLD P	$440	30	6	19	11.90	—	—	"
GOLD P	$460	118	12	176	19.50	13	21	"
GOLD P	$480	105	24	101	28	—	—	"
GOLD P	$500	60	35	—	—	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$700	7	200	33	220A	5	230	$890
SILVER C	$750	18	150	7	180	2	200	"
SILVER C	$900	10	70	8	140	—	—	"
SILVER C	$1000	16	31	9	91	8	120	"
SILVER P	$950	15	80	—	—	—	—	"
		Jun 87		Jul 87		Aug 87		
$/Fl C	Fl.200	102	2.40	2	3.30B	10	4.40	Fl.200.55
$/Fl C	Fl.205	24	0.70	530	1.50	—	—	"
$/Fl C	Fl.210	—	—	—	—	155	1	"
$/Fl P	Fl.195	15	0.70	10	2A	20	2.70	"
$/Fl P	Fl.200	91	2.50A	—	—	1655	5.30	"
$/Fl C	Fl.190	—	—	—	—	18	11.60	"
$/Fl C	Fl.200	—	—	25	5.90B	29	6.80	"
$/Fl C	Fl.205	133	3	13	4.20	—	—	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.210	25	1.60	—	—	30	3.70	Fl.200.55
$/Fl C	Fl.215	—	—	4	2	10	2.50	"
$/Fl P	Fl.190	—	—	—	—	20	5.90	"
$/Fl P	Fl.195	10	4	5.80	—	—	—	"
$/Fl P	Fl.200	5	6.20	—	—	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.520	219	5	24	12	4	20	Fl.483
ABN P	Fl.500	41	21.50	90	31	12	32	"
AEGON C	Fl.90	65	3	94	4.50	8	6.40	Fl.88.40
AEGON P	Fl.95	20	8A	—	—	—	—	"
AHOLD C	Fl.110	43	1.30	9	3.10	1	5	Fl.101.70
AHOLD P	Fl.105	319	5	5	6	—	—	"
AKZO C	Fl.140	165	1.70	209	4.90	53	7	Fl.129.50
AKZO P	Fl.140	325	10.80	13	12	55	13.40	"
AMEV C	Fl.60	158	2.40	33	4.30B	—	—	Fl.61.80
AMEV P	Fl.70	45	11A	20	11.50A	—	—	"
AMRO C	Fl.80	133	1.50	77	3.20	10	4.40	Fl.76.80
AMRO P	Fl.75	11	1.30	30	3.30	4	4.20	"
ELSEVIER C	Fl.52	112	1	12	2	—	—	Fl.48.70
ELSEVIER P	Fl.48	116	1.20	16	2.50	—	—	"
GIST-BROC C	Fl.35	150	7.50	—	—	—	—	Fl.41.80
GIST-BROC P	Fl.45	223	3.80	—	—	5	4.90	"
HEINEKEN C	Fl.180	121	4.30	20	7	—	—	Fl.172.50
HEINEKEN P	Fl.160	16	1.10	11	3	—	—	"
HOOGOVENS C	Fl.40	87	3.50	174	5	—	—	Fl.42
HOOGOVENS P	Fl.40	80	1.40	28	2.50	1	3.30	"
KLM C	Fl.50	703	1.40	517	2.40	220	3.30	Fl.46.60
KLM P	Fl.45	226	1.20	378	3	—	—	"
NED. LLOYD C	Fl.180	50	0.50	—	—	—	—	Fl.141.20
NED. LLOYD P	Fl.150	58	16	15	17.90	—	—	"
NAT. NED. C	Fl.70	59	2.50	121	3.90	22	5.70	Fl.69
NAT. NED. P	Fl.70	40	2.50	85	4	7	4.70	"
PHILIPS C	Fl.50	599	1.40	185	3.10	64	4.10	Fl.47.70
PHILIPS P	Fl.55	217	7.50	5	7.60	84	7.50	"
ROYAL DUTCH C	Fl.260	926	6.30	126	10.30	11	13B	Fl.256.20
ROYAL DUTCH P	Fl.250	660	4.40	115	7.40	43	9.50	"
ROBECO C	Fl.105	—	—	20	1.90	—	—	Fl.99.70
UNILEVER C	Fl.620	969	29	154	41	6	49.90	Fl.631.50
UNILEVER P	Fl.620	268	9.60	107	16.50	39	24	"

TOTAL VOLUME IN CONTRACTS: 37,043

A=Ask B=Bid C=Call P=Put

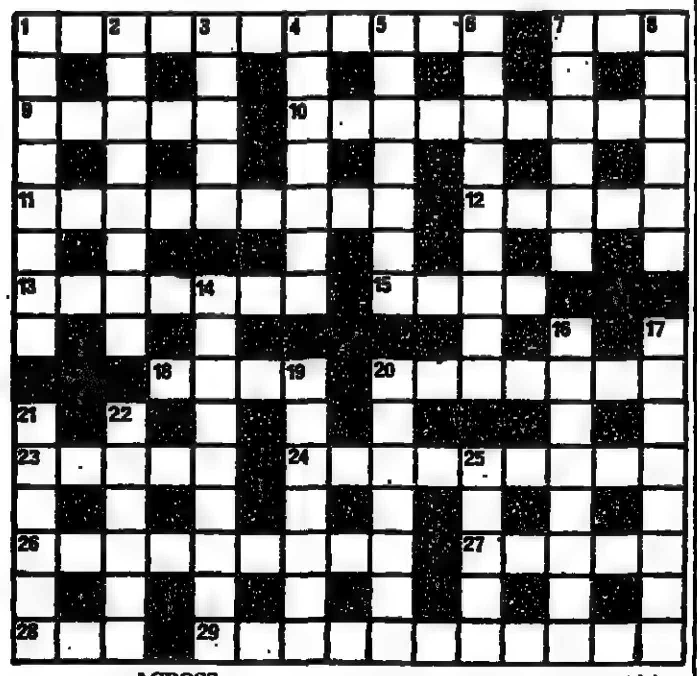
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	● Morgan Grenfell	9
Adam & Company	9	Citibank NA	9	Mount Credit Corp. Ltd.	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Nat Bk. of Kuwait	9
Allied Dunbar & Co	9	Clydesdale Bank	9	NatWestminster	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Northern Bank Ltd	9
American Exp. Bk	9	Consolidated Cred	9	† Norwich Gen. Trust	9
Amro Bank	9	Co-operative Bank	*9	PK Finans. Intl (UK)	10
Henry Ansbacher	9	Cyprus Popular Bk	9	Provincial Trust Ltd	11
ANZ Banking Group	9	Duncan Lawrie	9	R. Raphael & Sons	9
Associates Cap Corp	9	E. T. Trust	10	Roxburghe Guarantee	10½
Authority & Co Ltd	9	Equatorial Tst C'p plc	9½	Royal Bk of Scotland	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Royal Trust Bank	9
Bank Hapoalim	9	Financial & Gen. Sec.	9	Smith & Williamson Secs	9
Bank Leumi (UK)	9	First Nat. Fin. Corp	10½	Standard Chartered	9
Bank Credit & Comm	9	First Nat. Sec. Ltd	10½	Trustee Savings Bank	9
Bank of Cyprus	9	● Robert Fleming & Co	9	UDT Mortgage Exp.	¶11.1
Bank of Ireland	9	Robert Fraser & Ptrs	10	United Bk of Kuwait	9
Bank of India	9	Grindlays Bank	9	United Mizrahi Bank	9
Bank of Scotland	9	Guardian Bank	$9	Unity Trust PLC	9
Banque Belge Ltd	9	● Guinness Mahon	9	Westpac Bank Corp	9
Barclays Bank	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Benchmark Tst Ltd	9	● Hambros Bank	9	Yorkshire Bank	9
Beneficial Trust Ltd	10½	Heritable & Gen. Tst	9		
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst	9½	Lloyds Bank	9		
CL Bank Nederland	9	Mase Westpac Ltd	9		
Canada Permanent	9	Meghraj & Sons Ltd	9		
Cayzer Ltd	9	Midland Bank	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE NO. 6,333

GRIFFIN



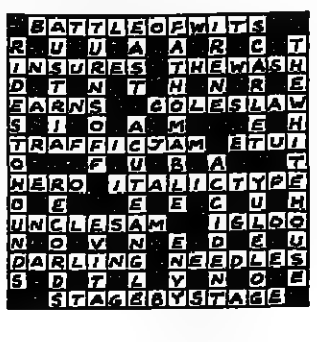
ACROSS

1 For some small change flog a tree ! (6,5)
7 Sentry drops 28 coins (3)
9 Certainly not returning right uniform (5)
10 Puritan showed trained hound in (9)
11 He bills me for coming round to decorate (9)
12 Bay with large, empty houseboat (5)
13 Cunning Eric travels without famous explorer (7)
15 Regret having hole in rake (4)
18 Second-hand handle on front door (4)
20 Retreat behind screen, exhausted (7)
23 Sudden fright wakes you up (5)
24 Foul by team brought about draw (9)
26 Sure many find Eton chaotic (9)
27 About right moment for a joke (5)
28 For missing 7 across sentry is shot ! (3)
29 Shrub firm not back by Bank Holiday (11)

DOWN

1 A few words from the judge ? (8)
2 Very much like prison to Budgie (8)
3 He's learning to climb around mid-April (5)
4 Prevent heartless cyclist causing obstruction (7)
5 Nothing in her rug could be less smooth (7)
6 Keep secret vault, being narrow-minded (9)
7 One running on snow breaks his leg (6)
8 Some campers like it untidy, perhaps (6)
14 Doctor Simon Cain rises, unable to sleep (9)
16 Plant scientist obtains new tin-opener (8)
17 One who has run out of clothes ? (8)
19 Sweet uses two keys to lock up (7)
20 Cheer the centre-half then (7)
21 May be lucky on Minehead racecourse (6)
22 Mostly masculine, one admitted (6)
25 unusually cross, tear round outside (5)

Solution to Puzzle No. 6,332



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mayflower Management Co Ltd
No 1 London Bridge, London, SE1 9QU — 01-378 7000

Income May 18	329.0	350.0		3.79
General May 5	259.1	273.7		1.77
International May 5	150.3	159.9		0.66
Global Inc Fd May 5	48.5	51.6		5.13

Medical Investments Limited
4 Sandys Row, London E1 7HW. — 01-247 1167/8/9

Health Fund	48.9	51.4		—

Mencap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 — 01-534 5544

Mencap	181.9	192.4xd		3.78

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS — 01-280 2860

American Growth	101.4	107.2xd	+0.4	2.31
(Accum Units)	106.2	112.3xd	+0.4	2.31
British Blue Chip Fund	49.0	51.8	−0.4	2.42
(Accum Units)	49.8	52.7		2.37
American Smaller Cos Fd	43.7	44.8	−0.1	0.44
(Accum Units)	43.7	44.8	−0.1	0.44
American Sm Cos Ex Fd	43.4	44.5	—	0.44
(Accum Units)	43.4	44.5		0.44
American Income	47.8	50.5	−0.9	5.27
(Accum Units)	51.7	54.7	−1.1xd	5.27
European Growth	133.1	141.5	−2.0	0.65
(Accum Units)	137.8	146.5	−2.1	0.63
European Income	77.7	82.6	−1.0	3.55
(Accum Units)	79.9	84.9	−1.1	3.55
General	341.5	363.7	−0.7	2.24
(Accum Units)	568.0	604.2	−1.1	2.24
Gilt	92.0	92.4	−0.2	7.02
(Accum Units)	107.0	107.5	−0.2	7.02
Global Fund	47.5	50.5	+0.2	0.70
(Accum Units)	47.9	50.6xd		0.69
High Interest Fund	47.7	50.4		8.93
(Accum Units)	47.7	50.4xd		8.93
High Income Fund	49.0	51.8	−0.3	5.02
(Accum Units)	49.9	52.7xd	−0.3	5.02
Income	111.9	119.0	−0.3	3.64
(Accum Units)	127.7	135.8	−0.4	3.64
International	280.1	298.4	+1.5	1.36
(Accum Units)	348.8	369.0	+1.6	1.36

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. — 01-588 3963

PM Equity Growth	107.6	114.5	+0.5	0.65
PM Income and Growth	95.4	101.5		3.15
PM N American Growth	48.6	51.6	−0.2	0.39
PM European Growth	45.1	47.9	−0.3	0.65
PM Japan Growth	67.8	72.1	+0.9	0.57
PM Overseas Growth	49.1	52.2	−0.1	0.48

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst.	69.8	73.8	−0.3	0.42
Holborn Equity Income	65.2	68.8xd	+0.1	3.74
Holborn Equity Tst	538.6	569.9xd	−3.2	2.37
Holborn European Tst.	108.7	115.0xd	−2.1	0.72
Holborn Gilt Tst.	213.1	222.0xd	−0.4	2.14
Holborn High Inc Tst	81.6	86.3		5.00
Holborn Intl Grth Tst	110.3	116.7	−0.4	0.75
Holborn Japanese Tst	123.8	131.0	+1.8	0.04
Holborn N. Amer. Tst	83.2	88.0xd	−0.6	0.55
Holborn Sm Cos Tst	70.5	74.6xd	+0.1	1.56
Holborn Spec Sits Tst	91.9	97.2	−0.3	2.50
Holborn UK Growth Tst	108.8	115.1	−0.8	1.63

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

Quadrant Gen. Fd	611.3	646.9		1.69
Quadrant Income	318.2	336.8		3.43
Quadrant Intl. Fund	420.8	445.3xd		1.13
Quadrant Spec. Sits.	389.1	411.8		1.97

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent — 0892 510033

British Life	226.8	241.2		2.38
Reliance Unit Tst (Inc)	150.8	160.3		2.02
Reliance Ut Tst (Acc)	203.0	215.8		2.02

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool, — 051-227 2030

Smith & Williamson Unit Trust Mngrs
1 Riding House St, London W1A3AS — 01-637 5377

S & W American	155.4	164.5	−4.9	0.41
S & W Growth Trust	94.8	100.4	+0.4	2.00
S & W Income Trust	94.9	100.5	+0.5	4.00
S & W Smaller Secs.	239.2	253.2	+8.3	0.01

Sovereign Unit Trust Mngrs Ltd
12 Christchurch Rd, Bournemouth — 0202 298422

Income	47.5	50.0		—
Intl Growth	47.5	50.0		—
Managed	47.5	50.0		—
UK Growth	47.5	50.0		—

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ — 0800 393777

Managed Trust Acc.	29.3	31.2	−0.2	1.72
UK Equity Gth Tst Acc	35.1	37.3	−0.2	2.31
UK Equity High Inc Inc	33.1	35.2	−0.2	3.62
UK Equity Gen Tst Acc	37.2	39.6	−0.3	2.09
UK Equity Gen Tst Inc	32.9	35.0	−0.2	2.09
Gilt & Fxd Int Tst Inc	27.0	28.5xd		6.84
Nrth Amer Tst Acc	26.0	27.7	−0.1	0.97
Far East Trust Acc	40.4	43.0	+1.9	0.00
European Trust Acc	27.2	29.0	−0.3	1.52

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh — 031-226 3271

American Fund	204.1	217.9	−2.9	1.10
(Accum. Units)	230.6	246.2	−2.8	1.10
(Withdrawal Units)	136.1	145.3	−1.7	1.09
American Exempt May 18	£334.30	347.65		1.57
Australian Fund	189.5	201.8	−1.8	0.39
(Accum. Units)	192.7	205.2	−1.9	0.39
British Fund	857.5	913.3	−0.8	3.61
(Accum. Units)	1186.8	1264.0	−1.1	3.61
European Fund	317.1	337.4	−4.2	0.45
(Accum. Units)	334.5	356.1	−4.2	0.45
Japan Fund	72.7	77.4	+1.1	0.21
(Accum. Units)	73.2	77.9	+1.1	0.21
Sams PPP (May 20)	215.8	227.3		—

Sun Alliance Fund Management Ltd

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW — 0222 35542

AA Friendly Sy May 8		132.0		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth — 0202 292373

Prop. Ser. 1	209.3	220.4		—
Equity Ser. 1	136.5	143.7	−0.2	—
Prop. Acc. Ser 2	292.0	307.4		—
Equity Ser 2	148.2	156.1	−0.2	—
Selective Acc	284.2	299.2	−0.2	—
Prop Ser. 4	229.3	241.4		—
Equity Ser. 4	144.1	151.7	−0.2	—
Fixed Int. Ser 4	193.7	204.0	−0.3	—
Indexed Inv. Ser. 4	118.9	125.2	−0.1	—
American Ser. 4	261.2	275.0	−0.3	—
High Inc. Ser. 4	366.2	385.5	−0.1	—
Japan Ser 4	259.3	273.0	+2.6	—
Man. Ser. 4	393.8	414.6	−0.7	—
Money Ser. 4	204.4	215.2		—
European Ser 4	114.2	120.3	−1.2	—

Pension Funds

Property	380.0	400.0		—
Equity	1049.2	1104.5	+3.9	—
Selective	303.3	319.3	−0.2	—
Managed	725.8	764.0	−0.5	—
Security	361.0	380.1		—
Fixed Int.	211.2	222.4		—
European	180.5	190.0	−2.9	—
American	219.0	230.6	−0.3	—
Japan	286.3	301.4	+3.3	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE — 01-833 2303
Life Funds (Accumulator Units)

Squirrel	11.07	11.66		—
Bear	12.78	13.46		—

FT UNIT TRUST INFORMATION SERVICE

MGM Assurance—Contd.

Pension Funds

Pension Equity	253.6	267.0	+0.3	—
Do. Accum.	307.6	323.8	+0.4	—
Pens. Spec. Sits.	235.3	247.7	+0.4	—
Do. Accum.	285.5	300.6	+0.5	—
Pens. North American	176.9	186.3	-1.1	—
Do. Accum.	214.7	226.1	-1.2	—
Pens. Pacific Basin	346.3	364.6	+5.6	—
Do. Accum.	420.2	442.4	+6.8	—
Pens. Fixed Int.	227.8	239.8	-0.6	—
Do. Accum.	276.4	291.0	-0.8	—
Pens. Property	118.6	124.9	.....	—
Do. Accum.	143.9	151.5	+0.1	—
Pens. Deposit	119.9	126.3	+0.1	—
Do. Accum.	145.6	153.1	.....	—
Pens. Managed	233.6	245.9	+0.2	—
Do. Accum.	382.9	397.8	+0.3	—

Manufacturers Life Insurance Co (UK)

St George's Way, Stevenage 0438 356101

Managed	437.4	460.4	—	—
Property	276.7	291.3	—	—
Equity	530.0	557.9	—	—
Gilt Edged	372.9	392.5	—	—
Deposit	202.6	213.3	—	—
Investment	226.8	238.1	—	—
International	427.8	450.3	—	—

Pension Fund Prices

Managed Init.	319.1	—	—
Do. Accum.	388.4	—	—
Property Init.	240.5	—	—
Do. Accum.	292.5	—	—
Equity Init.	409.4	—	—
Do. Accum.	697.4	—	—
Gilt-Edged Init.	237.6	—	—
Do. Accum.	259.1	—	—
Guaranteed Init.	156.5	—	—
Do. Accum.	190.9	—	—
International Init.	502.9	—	—
Do. Accum.	611.5	—	—
Index Lk. Gilt Init.	142.3	—	—
Do. Accum.	173.1	—	—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	295.5	+0.2	—
Property Pens.	367.1	+0.1	—
Equity	183.7	-1.9	—
Equity Pens.	828.3	-14.4	—
Money Market	316.7	-1.8	—
Money Mkt. Pens.	564.5	-2.8	—
Deposit	234.6	+0.1	—

National Provident Inst.—Contd.

Pension Fund Prices

Man. Initial	311.6	328.0	-0.9	—
Man Acc.	325.4	395.2	-1.1	—
UK Eq. Initial	398.9	419.9	-1.8	—
UK Eq.	469.2	493.9	-2.1	—
Overseas Eq. Initial	346.5	364.8	-1.6	—
Overseas Eq.	432.4	455.2	-0.7	—
American Initial	241.2	253.7	-0.7	—
American	288.1	303.2	-0.7	—
Far East Initial	467.7	492.4	+5.2	—
Far East	556.8	586.2	+6.2	—
Prop. Initial	130.8	137.7	+0.2	—
Prop.	155.8	164.0	+0.7	—
Fixed Int. Initial	191.7	201.8	-0.3	—
Fixed Int.	228.0	240.1	-0.3	—
Indexed Gilt Initial	108.0	113.7	-0.1	—
Indexed Gilt	127.2	133.9	-0.2	—
Deposit Initial	133.5	140.6	.....	—
Deposit	160.4	168.9	.....	—

NPI Pensions Management Ltd

Managed Fund	902.2	918.3	.....	—

Prices May 1. Next dealing June 1.

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds

Managed Fund	55.1	58.0	.....	—
Stock Market Mngd Fund	56.1	59.1	.....	—
Equity Fund	61.6	64.9	-0.1	—
International Fund	50.2	52.9	+0.2	—
European Fund	53.8	56.7	-0.2	—
North American Fund	44.7	47.1	+0.1	—
Pacific Fund	62.5	65.8	+0.9	—
Property Fund	50.3	53.0	-0.1	—
Fixed Interest Funds	51.3	54.1	-0.1	—
Index linked Sec Fund	47.6	50.2	.....	—
Deposit Fund	50.4	53.1	.....	—

NUAM Retirement Plans

Mixed Fund	57.5	60.6	+0.5	—
UK Ordinary Share	68.4	72.1	+0.9	—
International Fund	50.3	53.0	+0.5	—
Property Fund	51.1	53.8	.....	—
Fixed Interest Fund	52.8	55.6	-0.2	—
Index Linked Sec Fund	47.4	49.9	-0.1	—
Deposit Fund	51.9	54.7	.....	—

NUAM (MF)

Managed Fund	747.4	786.7	.....	—
Equity Fund	1617.2	1702.3	-4.2	—
Property Fund	313.1	329.6	+0.8	—
Fixed Interest Fund	378.2	398.2	-0.2	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100⅞	99⅞	Treas. 10pc 1987	100⅛xd	....	9.99	8.88
99⅜	97⅞	Treas 3pc 1987	99⅜	....	3.02	7.36
101⅞	100⅞	Treas. 12pc 1987	101⅞	....	11.82	8.32
99⅞	97⅞	Treas 7¾pc 1985-88‡‡	99⅞	....	7.78	8.40
102¼	99⅞	Exch 10½pc '88	101⅞xd	–⅛	10.32	8.51
101⅞	98⅞	Treas 9¾pc Cv '88	101¼xd	–⅛	9.64	8.61
96⅞	93⅞	Transport 3pc '78-88	96⅞	–⅛	3.11	6.25
101¼	98⅛	Treas 9½pc '88	101⅛	–⅛	9.40	8.63
105⅞	101⅜	Treas 11½pc 1989	104⅞	–⅛	11.01	8.69
102⅛	97⅞	Treas 9½pc Cnv 1989	101⅞	–⅛	9.37	8.66
94⅞	89⅞	Treas 3pc 1989	94⅞xd	+⅛	3.17	5.91
104⅞	99⅞	Treas 10½pc 1989	103⅞xd	–⅛	10.16	8.67
103⅛	98⅞	Exch 10pc 1989	102⅞	–⅛	9.77	8.77
105⅞	100⅞	Exch 11pc 1989	104⅞	–⅛	10.51	8.71
95⅞	89⅛	Treas 5pc 1986-89	95⅞	....	5.23	6.99
108⅛	100⅞	Exch 10¼pcCv '89	106⅛xd	....	9.62	7.31
111⅛	105⅞	Treas 13pc 1990‡‡	109⅞	–⅛	11.85	8.78
106⅞	100⅞	Exch 11pc 1990‡‡	105⅞	–⅛	10.45	8.75
110⅛	104⅞	Exch. 12½pc 1990	109¼	–⅛	11.44	8.72
91⅞	84⅞	Treas. 3pc 1990	91⅞xd	–⅛	3.27	6.08
100⅛	93⅞	Treas 8¼pc 1987-90‡‡	99⅞xd	+⅛	8.27	8.32
105	97½	Treas. 10pcCv 1990	105⅝	–⅛	9.65	8.73
89⅞	81⅛	Exch 2½pc 1990	89½xd	+⅛	2.79	5.86
110¼	103¼	Treas 11¾pc 1991	109	–⅛	10.78	8.80
95⅛	87¼	Funding 5¾pc '87-91‡‡	95⅛	....	6.03	7.15
89⅛	80¼	Treas. 3pc 1991	89⅛xd	+⅛	3.37	6.72
110¼	100⅛	Treas 10pc Cv '91 ‡‡	107⅞	....	9.25	7.69
109⅞	101⅛	Exch. 11pc 1991	108⅛	–⅛	10.17	8.72
116⅛	108⅛	Treas 12¾pc 1992‡‡	114⅞	–⅛	11.08	8.75
106⅛	97⅞	Treas 10pc 1992	104⅞	–⅛	9.54	8.72
49½	47⅞	Treas. 8pc 1992 ‡‡(50pd)	47⅛	–⅛	8.15	8.47
108⅞	99⅞	Treas 10½pc Cv 1992‡‡	106¼	–⅛	9.89	8.76
		Five to Fifteen Years				
115⅞	106⅞	Exch. 12¼pc '92	113⅞	–⅛	10.77	8.92
121⅛	111⅛	Exch 13½pc 1992	118⅞	–⅛	11.34	8.91
107⅛	97⅞	Treas 10pc 1993‡‡	104⅞	–⅛	9.52	8.86
118⅛	108⅞	Treas 12½pc 1993‡‡	116⅞	–⅛	10.72	8.93
95⅞	82⅞	Funding 6pc 1993‡‡	95⅛	....	6.33	7.01
125⅛	114⅞	Treas 13¾pc 1993‡‡	123⅛xd	–⅛	11.15	8.93
129⅞	119⅛	Treas 14½pc 1994‡‡	127⅞	–⅛	11.35	8.94
124⅞	113⅞	Exch 13½pc 1994 ‡‡	122⅛	–⅛	11.00	9.01
107⅞	97⅞	Treas. 10pc Ln. 1994	105⅞	–⅛	9.47	8.90
120⅛	109⅞	Exch. 12½pc 1994	118⅛	–⅛	10.58	9.02
103⅞	92⅞	Treas 9pc 1994‡‡	101⅞xd	–⅛	8.87	8.72
118⅞	107⅞	Treas 12pc 1995	116⅛	–⅛	10.33	9.03
82⅞	76	Exch 3pc Gas 90-95	81⅛	–⅛	3.69	6.00
109⅛	98⅛	Exch. 10¼pc 1995	107⅛	–⅛	9.56	8.98
123⅞	112⅛	Treas 12¾pc 1995‡‡	121⅞xd	–⅛	10.46	8.98
130⅞	118⅞	Treas. 14pc '96	128½	+⅛	10.90	9.16
102⅞	92⅞	Treas 9pc 1992-96‡‡	101⅛	+⅛	8.91	8.70
139⅛	126¾	Treas 15¼pc 1996‡‡	137⅛	–⅛	11.11	9.06
127⅞	116⅛	Exch 13¼pc 1996‡‡	125⅞xd	–⅛	10.55	9.02
87⅞	81¼	Redemption 3pc 1986-96	86⅞	+⅛	3.40	4.75
108⅛	96⅞	Conversion 10pc 1996	106⅛xd	....	9.40	8.97
128⅞	116½	Treas 13¼pc 1997‡‡	126¼	–⅛	10.47	9.06
111⅞	100	Exch 10½pc 1997	109⅛	–⅛	9.61	9.03
101⅛	90½	Treas 8¾pc 1997‡‡	99⅛	+⅛	8.82	8.86
100¼	90½	Treas. 8¾pc '97 'B' ‡‡	99¼	+⅛	8.75	8.75
140⅛	126⅞	Exch 15pc 1997	137⅞	....	10.89	9.26
106⅞	95⅝	Exch. 9¾pc 1998	104¼	+⅛	9.31	9.03
88⅞	78⅞	Treas 6¾pc 1995-98‡‡	87⅛	+⅛	7.74	8.56
145⅞	131⅞	Treas. 15½pc '98‡‡	143⅞	....	10.81	9.23
122⅞	109⅞	Exch. 12pc 1998	120½xd	+⅛	9.98	9.11
106⅞	95⅛	Treas 9½pc 1999‡‡	104⅛	....	9.09	8.86
124⅞	111⅞	Exch. 12¼pc 1999	122⅛	+⅛	10.02	9.12
113	101	Treas. 10½pc 1999	110⅞xd	....	9.47	8.99
111⅛	99⅛	Conversion 10¼pc 1999	109⅛xd	....	9.39	9.01
32¼	30	Tr 8½pc 2000(30pd)‡‡	30⅞	–⅛	8.63	8.69
103⅛	91⅛	Conversion 9pc 2000‡‡	101⅛	+⅛	8.89	8.83
131⅛	117⅞	Treas. 13pc 2000	129	....	10.09	9.17
110⅛	98⅛	Treas 10pc 2001	108¼	–⅛	9.24	8.94
134⅞	121⅛	Treas. 14pc '98-01	132⅞xd	....	10.58	9.24
108⅞	96⅛	Conversion 9¾pc 2001	106⅞	....	9.15	8.92
122⅞	110⅛	Exch. 12pc '99-02	120⅛	–⅛	9.97	9.12
110⅞	98⅞	Conversion 10pc 2002	108⅞	+⅛	9.20	8.92
		Over Fifteen Years				
109	96⅞	Treas 9¾pc 2002	106¼	....	9.12	8.91
103	96	Exch. 9pc 2002	101⅛	+⅛	8.91	8.86
136⅞	123	Treas. 13¾pc 2000-03	134⅝	+⅛	10.25	9.18
111⅛	98⅛	Treas 10pc 2003	109⅞	+⅛	9.14	8.88
121⅞	108¾	Treas. 11½pc 2001-04	119⅞	+⅛	9.61	8.98
111⅞	98⅞	Treas. 10pc 2004	109⅞xd	+⅛	9.12	8.88
59⅞	51⅛	Funding 3½pc '99-04	58⅞	....	6.00	8.01
107⅞	95¼	Conversion 9½pc 2004	105⅝	+¼	8.99	8.85
107⅞	95	Conversion 9½pc 2005	105⅞	+⅛	8.98	8.85
116¼	103⅛	Exch. 10½pc 2005	114⅞	+⅛	9.15	8.94
132⅞	128	Treas. 12½pc 2003-05	130⅞xd	+⅛	9.58	8.93
94⅞	83⅛	Treas. 8pc 2002-06‡‡	93⅛	+⅛	8.59	8.74
30	28⅞	Tr. 8pc '02-06 'A' (30pd)‡‡	29	+⅛	8.44	8.56
110¼	97⅛	Conversion 9¾pc 2006	108⅛xd	+⅛	9.01	8.86
126¼	111⅞	Treas. 11¾pc 2003-07	123⅞	+⅛	9.50	8.91
99⅛	87⅞	Treas 8½pc 2007 ‡‡	97⅞	+⅛	8.72	8.76
142⅛	126⅛	Treas. 13½pc '04-08	139⅞	+⅛	9.68	8.92
104⅞	94¼	Treas. 9pc 2008 ‡‡	102½	+¼	8.79	8.74
94⅞	82⅞	Treas 8pc 2009	92⅞	+¼	8.60	8.71
69¼	61⅛	Treas. 5½pc 2008-12‡‡	68½	....	8.01	8.53
91⅞	81	Treas. 7¾pc 2012-15‡‡	90⅛	+¼	8.59	8.69
134⅞	118⅞	Exch. 12pc '13-'17	132⅛xd	+⅛	9.07	8.82
		Undated				
49¼	40⅛	Consols 4pc	44⅞	–⅛	8.91	—
40¼	35½	War Loan 3½pc‡‡	39½xd	–⅛	8.78	—
51⅛	47	Conv. 3½pc '61 Aft.	50⅝	+⅛	6.92	—
34⅛	30¼	Treas. 3pc '66 Aft.	33⅞	–⅛	8.93	—
28¼	25¼	Consols 2½pc	28⅛	–⅛	8.94	—
28¼	25	Treas. 2½pc	28⅛	–⅛	8.86	—

BRITISH FUNDS—Contd

1987 High	Low	Stock		Price £	+ or –	Yield (1)	(2)
		Index-Linked	(b)				
131⅛	125½	Treas. 2pc '88	(297.1)	130⅞	–⅛	—	1.82
117¼	108⅞	Do 2pc '90	(333.9)	116¼	–⅛	0.82	1.76
99⅞	93½	Do. 2pc '92‡‡	(385.8)	98⅞	–⅛	1.84	2.36
128⅛	119⅛	Do. 2pc '96	(267.9)	127½	–⅛	3.03	3.54
113⅛	101⅞	Do 2½pc '01	(308.8)	108⅛	–⅛	3.40	3.76
110	100¼	Do. 2½pc '03	(310.7)	106⅛xd	–⅛	3.33	3.73
113⅛	103⅛	Do. 2pc '06	(274.1)	109⅛	–⅛	3.27	3.67
108	98⅝	Do. 2½pc '09	(310.7)	104⅛xd	–⅛	3.25	3.59
113⅞	103⅛	Do. 2½pc '11	(294.1)	109¼	–⅛	3.32	3.56
95⅛	86⅛	Do 2½pc '13	(351.9)	91¼	–⅛	3.29	3.51
103⅛	94	Do 2½pc '16	(322.0)	99⅛	–⅛	3.10	3.46
101⅛	91⅞	Do. 2½pc '20	(327.3)	97⅞	–⅛	3.20	3.40
86⅛	77¼	Do. 2½pc '24 ‡‡	(385.3)	82⅞	–⅛	3.16	3.35

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for September 1986: 387.8 and for April 1987: 101.8 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113⅞	99½	African Dv Bk 11¼Ln 2010	111½	...	10.01	9.88
109⅞	95	Asian Dev Bk 10¼pcLn2009	107	–⅛	9.58	9.48
136	118½	Australia 13½pc 2010	133⅝	–⅛	10.10	9.80
118¼	102¼	Do. 11½pcLn2015	115⅞	–⅛	9.86	9.75
115⅞	102¼	Euro Inv Bk 11pc Ln 2002	113½	–⅛	9.72	9.36
110¼	97½	Do. 10¼pc2004	108½	–⅛	9.57	9.38
126¼	112⅞	Int-Am Dev Bk 12½pc 2003	124	...	10.08	9.51
104⅞	90¼	Do. 9¾pcLn 2015	102½xd	–⅛	9.52	9.48
97¼	83	Mlysia 10¾pcLn 2009	95⅞	–⅛	11.21	11.25
102½	99¼	Malaysia 12¼pc '88	101	.....	12.13	11.34
101⅞	100⅞	NZ 14¼pc 1987	100⅞	....	14.13	8.64
115	100⅞	Do. 11¼pc 2008	112½xd	....	10.01	9.82
118¼	102⅞	Do 11½pc 2014	115⅞	–⅛	9.92	9.81
176¼	119⅞	Sweden 13½pc Ln 2010	133⅞	–⅛	10.08	9.76
114¼	99¼	Do 11pc Ln 2012	111⅞	...	9.83	9.72
106	96½	Utd. Mexican States 16½pc	104½	–⅛	15.81	12.45

CORPORATION LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109⅞	105¼	Birmingham 13½pc 1989	109xd	....	12.39	9.35
119	105½	Do. 11½pc 2012	117¼xd	–⅛	9.77	9.61
101¼	100	Burnley 13pc 1987	100xd	....	13.00	11.46
93½	82½	GLC 6¾pc 1990-92	93¼	–⅛	7.24	8.40
99½	97½	Herts 6¾pc 1985-87	99	–⅛	6.82	9.20
131⅞	121½	Leeds 13½pc 2006	131	....	10.31	9.80
29½	26½	Liverpool 3½pc Irred.	28	–1½	12.50	—
99½	97½	LCC 5½pc '85-87	99xd	....	—	—
95½	88	Do. 6¾pc '88-90	95	....	7.11	8.80
31	25	Do. 3pc '20 Aft.	29xd	–1	10.34	—
113	105½	Manchester 11½pc 2007	112¼xd	....	10.20	10.00

COMMONWEALTH & AFRICAN LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
92	80¼	NZ 7¼pc 1988-92	91⅞	+¼	7.89	9.20
205	165	S Rhod 2½pc Non-Assd	202	....	—	—
76¼	65	Do. 4½pc 87-92 Assd.	74½	....	—	—
175	120	Zimbabwe Ann (£100pd)	140	....	—	6.22

LOANS

Building Societies

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100⅛	99⅛	N'wide 9⅞pc 16.6.87	100⅛	.....	9.68	9.31
100⅛	99⅞	Do 9⅞ 6.7.87	100⅛	.....	9.80	8.63
100¼	99⅛	Do. 10¼pc 27.7.87	100¼	.....	10.10	8.72
100⅞	99¼	Do. 10¼pc 17.8.87	100⅛	.....	10.09	8.76
100⅛	99	Do. 9⅞pc 7.9.87	100⅛	.....	9.86	8.91
100⅞	99⅛	Do. 10⅛pc 21.9.87	100⅞	.....	10.23	8.81
101⅛	100¼	Do. 11¾pc 26.10.87	101⅛	.....	11.61	8.82
101½	100¼	Do. 11½pc 23.11.87	101¼	.....	11.36	8.94
101⅞	100	Do. 11⅛pc 21.12.87	101½	.....	11.39	8.91
101⅛	100⅛	Do. 11¼pc 18.1.88	101⅛	.....	10.98	8.98
101½	100	Do. 10⅞pc 15.2.88	101⅛	.....	10.69	9.05
101⅛	100	Do 10½pc 7.3.88	101	–⅛	10.40	9.06
101⅛	100¼	Do. 9⅞pc 11.4.88	100½	–⅛	9.89	9.26
102⅛	100⅛	Do. 3⅞pcIL Ln 2021	101⅞	–⅛	3.89	4.03
23¼	22⅛	Do. 3⅞pc IL Ln2021 (25pd)	22½	.....	3.90	4.03
		Public Board and Ind.				
91	87	Agric. Mt. 5pc '59-89	89	.....	5.62	10.75
46	40	Met. Wtr. 3pc 'B'	42	.....	7.14	10.40
		Financial				
109⅞	99	Inv in Ind 11pc UnLn '88	103	.....	10.68	7.00
107	103½	Do. 11¾pc Uns.Ln. '90	106	.....	11.08	9.90
96	83½	Do 7¼pcADb89-92	96	.....	7.44	8.30
113½	106½	Do. 12½pc Un. Ln. 1992	111½	.....	11.21	9.80
98	81½	Do. 7¼pcA '91-94	97½	.....	7.44	8.30
101¼	89½	Do. 9pcA '91-94	100½	.....	8.96	8.80
100	85¼	Do. 8¾pcLn '92-97	98½	.....	9.01	8.55

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
25	20	Chinese 4½pc 1898	23	.....	—	—
25	20	Do. 5pc 1912	24	.....	—	—
25	20	Do. 5pc 1913	23	.....	—	—
25	16	Do. 5pc '25 Boxer	16	.....	—	—

FOREIGN BONDS & RAILS—Contd

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30⅛	22¾	Sara Lee $1	23¾xd	+¼	$1.00	—	2.6
11⅛	9½	Saul (B. F.) $1	9½	–¼	20c	—	1.3
79	59½	Southwestern Bell $1	59½	–¼	$6.96	—	7.2
17⅝	14¼	Staley Continental	14¼	–¼	80c	—	3.4
44⅛	36⅝	Sun Co. Inc. $1	36⅝xd	+⅛	$3.00	—	5.0
74	57¼	TRW Inc. $1¼	58⅛xd	–⅛	$3.20	—	3.4
31	25⅞	Tenneco $5	27½xd	....	$3.04	—	6.8
187½	169½	Do 10pcLn.Stk. 91-5	182½xd		10%	—	5.6
28¼	17⅞	Texaco $6.25	22⅛xd	+⅛	$3.00	—	8.3
57¼	47⅛	Time Inc. $1	50¼	–⅛	$1.00	—	1.2
14½	11	Tracor $0.33	11¼	+⅛	40c	—	2.2
24⅞	18⅞	Transamerica $1	18⅞xd	–⅛	$1.76	—	5.7
11	922p	Transworld Corp $5	922p	–26	20c	—	1.3
42¼	29⅝	TRINOVA Corp	34½xd	–1¼	$1.00	—	1.7
19⅝	15⅛	USX $1	18⅛	–⅛	$1.20	—	4.0
18¼	15⅛	Union Carbide $1	16⅛	–⅛	$1.50	—	5.6
35⅛	26⅞	Utd. Technologies	27xd	–½	$1.40	—	3.2
38⅝	27	US West	27	–½	$3.28	—	7.4
33⅛	26	Woolworth $3½	26¾	....	$1.32	—	3.0

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
23p	16p	Abbot Energy Corp.	17½p	+¼	—	—	—
25¼	10¼	Amer. Barrick Res.	24¼	–¼	—	—	—
955p	36p	Asmeco	104p	+3	—	—	—
19⅝	14⅝	Bk. Montreal	14⅝	–¼	$2.00	—	5.9
10½	745p	Bk. Nova Scot.	745p	–19	72c	—	4.2
20⅝	18	BCE	18¼	....	$2.40	—	5.7
960p	712p	Bow Valley	872p	–41	40c	—	2.0
19¼	12⅝	Brascan	15⅝	....	88c	—	2.4
609p	277p	Breakwater Res.	447p	+2	—	—	—
11⅝	894p	Can.Imp.Bk. $2	894pxd	–2	$1.08	—	5.2
12	865p	Can. Pacific	10½	–¼	48c	—	2.0
42½	37½	Do. 4pc Deb £100	41½xd	....	4%	—	9.6
27½	15⅛	Echo Bay Mines	25	+1⅛	20c	—	0.3
148p	66p	Euro-Asia Capital Ltd.	143p	+5	—	—	—
733p	283p	Galactic Resources	420p	–20	—	—	—
69p	32p	Global Data Systems	36½p	....	—	—	—
873p	399p	Granges Explrn	761p	....	—	—	—
17¼p	10p	Gt Pacific Res.	15¼p	–¼	—	—	—
14½	781p	Gulf Canada	13¼	–⅛	52c	—	1.7
13¼	10	Hawker Sid Can	11⅞	....	96c	—	3.5
740p	485p	Heslys Group	485p	–45	—	—	—
14⅛	11	Hudson's Bay	11⅛	–⅛	60c	—	2.2
34½	24⅛	Imperial Oil	32	–⅛	$1.60	—	2.2
11⅝	782p	Inco	10⅛xd	–¼	US$0.20	—	1.2
25⅛	14¼	Intl. Corona Res.	19⅞	+⅛	—	—	—
676p	575p	Inland Nat. Gas $1	629p	+2	60c	—	4.1
363p	158p	Muscocho Expln.	270p	+6	—	—	—
10	748p	Nthl Business Syst.	872p	+25	—	—	—
12	971p	Rio Algom	971p	–18	$1.30	—	—
19⅛	14⅛	Royal Bk. Can.	14⅛	....	$2.00	—	6.1
49½	40¼	Seagram	48¼	+½	US$1.00	—	1.5
14½	11½	Toronto-Dom. Bk.	11⅞	....	84c	—	3.1
10¼	800p	Trans Can Pipe	800p	–25	$1.12	—	6.1
184p	124p	Varity Corp	163p	+9	—	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
281	219	ANZ $A1	262	–3	Q31c	2.4	5.1	8.2
£148	£142	Algemene Fl.100	£143	+1	Q27%	♦	5.8	♦
273	230	Allied Irish	253	....	Q61.6%	♦	5.7	♦
70	56	Anglo Irish	66	....	Q19.19%	1.4	6.7	15.5
92	84	Ansbacher (H.) 1p	85	....	2.0	—	3.2	—
£40½	£30½	Banco de Bilbao S.A.	£30½	....	Q32%	3.0	3.1	10.8
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
475	180	Abelson Group 10p	390xd	..	3.5	2.7	1.2	41.9
35	28	Aberdeen Am Pet 10p	32	...	—	—	—	—
125	110	Allied Ins. Brokers	123xd	−1	L3.5	2.5	4.0	14.3
15	9	Ardmore Pet. 'A'	13½	−½	—	—	—	—
73	45	Catalyst Comms. 5p	70	......	—	—	—	—
98	47	Corton Beach 10p	83	−3	0.4	◆	0.7	◆
178	150	Crown Eyeglass 5p	165	......	—	—	—	—
208	102	Edenspring Investment	208	......		—	—	—
*62	30	Eglinton Oil Ir.5p	35	......	—	—	—	—
41	17	Do. Warrants	22	......	—	—	—	—
46	17	Publishing Hldgs.5p	37	−1	—	—	—	21.4
58	45½	Theme Holdings	51	......	1.0	◆	2.7	◆
138	111	Unit Group	118	−1	R4.6	2.5	5.3	(8.5)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ◆ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	78xd	....	Fin. 13% 97/02	£110¾	......
Craig & Rose £1	£16¾	....	Arnotts	340xd	−5
Finlay Pkg. 5p	86xd	.....	CPI Hldgs	58	......
Holt (Jos) 25p	940xd	....	Carroll Inds.	131	+1
IoM Stm. £1	111	....	Dublin Gas	18	......
			Hall (R. & H.)	100	+2
IRISH			Heiton Hldgs.	30	+1
Fund 11¾% 1988	£100¾	....	Irish Ropes	165	......
Nat. 9¾% 84/89	£98⅛	......	Unidare	368	−35

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd.	55
BOC Grp.	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC.	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	58
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Option *First Dealings	Declarations	Last Dealings	Account Day
May 11	May 28	May 29	Jun 8
Jun 1	Jun 11	Jun 12	Jun 22
Jun 15	Jun 25	Jun 26	July 6

Account Dealing Dates

* New time dealings may take place from 9.00 am two business days earlier.

Further losses in nervous equity sector but Gilts hold steady in thin trading

The UK stock market took a further tumble yesterday after the latest UK opinion poll surveys undermined an attempt by London to follow Wall Street's recovery from the shock administered by Citicorp's decision on its international loans. Although selling was not heavy, the market was 20 FT-SE points down at mid-session and returned to its lowest levels at the close despite firmness in New York.

The FT-SE 100 index ended a further 20.3 down at 2153.7, making a net loss of 60.6 over the past two sessions. At 1677.7, the FT Ordinary index shed 13.1.

There was renewed UK selling of bank shares and the whole of the financial sector remained very nervous of the implications of Citicorp's move on its loan portfolio.

But overall the picture was less gloomy than market indices suggested. Major industrials were mostly lower but the SEAQ ticker disclosed that much of the selling was small. Securities houses were winding down positions ahead of the extended Bank Holiday weekend.

This week's shakeout was regarded as fundamentally healthy. "We have unwound some overwrought positions very nicely over the past two days," commented one leading marketmaker.

Market attention again focussed on **Rolls-Royce** which had another active session, featured by Japanese buying of the small share lots offered by UK holders. **Glaxo**, a long-standing favourite with Japanese investors, moved up against the trend, and consumer shares recouped some of Wednesday's loss.

Shares opened higher but were soon taken lower by the response to three public opinion polls which indicated a narrowing in the Thatcher Government's lead as UK voters prepare for the general election to be held early next month.

After sliding lower, the market steadied ahead of Wall Street's opening. But the initial firmness in New York was shrugged off by UK investors who returned as sellers towards London's close.

Shell and Jaguar were virtually alone among the US-influenced stocks to end firmer. **Imperial Chemical Industries, Lloyds Bank, Unilever** and **RTZ** all showed significant losses.

Gilt-edged enjoyed a calm trading session, helped by firmness in US bond prices. After moving within a tight range, prices closed mixed, with the long dates firmer by ⅛ or so and the earlier dates little changed.

Turnover in Gilts was light, and the sector continued to brush off the Citicorp loan moves. While hopes of another base rate cut have now been postponed until after Election Day, the sector remains confident that UK rates can move lower during the summer.

British Aerospace met with further heavy selling (some 9.5m shares changed hands) and fell away to close 18 down at 612p, a two day loss of 40. The reaction took place after an aviation magazine suggested that the $8.5bn AV-8B Harrier programme with the US Marines may be in serious trouble following vulnerability tests carried out by the American Navy.

Weakness in British Aerospace was also prompted by market talk that a Norwegian airline had opted in favour of buying new aircraft from Boeing.

The implication of Citicorp's decision to increase its loan loss reserve by some $3bn continued to reverberate around the big four clearing banks. An early attempt at a recovery quickly gave way under the pressure of persistent selling pressure from nervous UK holders and share prices dipped sharply to close at or around the day's lows. On a more positive note, however, dealers said that there was little or no selling pressure evident from recent US and other overseas buyers. US houses, they said, were net buyers of UK banks. **Midland** dropped 24 more to 633p mirroring the bank's substantial overseas debts, while **Lloyds**, second in the table of overseas loans, fell 20 to 523p **Barclays** settled 16 easier at 543p and **NatWest**, with the least exposure to overseas loans and the UK's most profitable clearing bank, were 12 off on balance at 673p.

Insurances included an outstanding feature in **C. E. Heath**, the broker, which spurted 33 to 498p on the view that the sharply lower preliminary profits had been widely discounted.

Rolls-Royce, in the wake of Wednesday's highly successful market debut and further heavy trading overnight, advanced strongly to 154p on reports of further Japanese buying—they appear to be well on their way to reaching their 15 per cent quota—before easing on profit-taking to close 2 lower on the day at 145p; 157m shares were traded yesterday.

Specialist chemical manufacturers and services group **Chemoxy** did well in first-time dealings; the shares opened at 210p and moved up to 225p against a placing price of 185p. **Practical Investments**, placed at 83p, opened at 88p and moved up to 95p, while USM newcomer **GC Flooring and Furnishings** touched 99p prior to closing at 92p compared with a placing price of 76p.

The general market uncertainty continued to stifle the response of leading Breweries to good profits statements. All three majors reporting this week lost fresh growth, while **Guinness** slipped 3 to 354p. **Matthew Brown**, strong recently on Scottish & Newcastle bid hopes, drifted back 9 to 659p while **Greenall Whitley** gave up part of the previous three-day rise at 277p, down 2. Against the trend, **Burtonwood** improved 7 to 737p.

Speculation about the intentions of Australian entrepreneur and major shareholder Mr John Spalvin following his appearance at the company's annual meeting boosted **Coates Brothers Ordinary** 32 to 304p and the A 14 to 253p.

Stores managed to make progress, stimulated by hopes of continued buoyancy in consumer spending. **Combined English Stores** rose 7 to 417p following a report that Sears is poised to counter bid for the company; Next is currently bidding for CES, having topped an earlier offer by Ratners. **Body Shop** jumped 20 more to 820p still boosted by the US expansion while **E. Upton "A"** rose 10 to 110p awaiting further news regarding the possible acquisition of Southern and City Property. Preliminary results from **Underwoods** failed to match market expectations and the shares dipped 11 to 198p.

Leaders in the electrical sector mirrored the overall market performance which reflected the latest opinion polls. **British Telecom** slipped back 6 to 294p on a turnover of 14m shares, while **GEC** lost a further 3 to 225p, with 7.3m shares changing hands, on further consideration of Hanson Trust's denial of any bid intentions.

Movements in the Engineering leaders were limited to a few pence. Elsewhere in the sector, **Derlend** eased 3 to 288p after the preliminary figures, but **Tyzack Turner** advanced 12 to 237p as Mr D. Saunders, a director of the company, reduced his holding to 7.98 per cent.

Food Manufacturers eased back in line with the general trend, but **Unigate** were boosted by news of the proposed sale of its five engineering companies, (Giltspur) and details of major expansion within its poultry division and the price closed 7 higher at 420p. **Cadbury Schweppes** were active with some 9m shares traded; the company's US presentation is thought to have gone well, but the shares eased a further 4½ to 241½p reflecting fading takeover hopes. Among Retailers, **Dee Corporation** rose 10 to 423p as buyers returned, while **Bejam**, after touching 222p on takeover hopes, fell back to close 9 cheaper on balance at 208p following the company's denial of any bid talks.

Ladbroke closed 3 off 412p; the High Court has dismissed its injunction against Extel in connection with the recent adverse rumours that had been sweeping the City and depressing the share price; Ladbroke have again stated that the rumours are without foundation.

Miscellaneous industrial leaders presented a mixed apearance. **Boots**, still benefiting from the recent April retail sales figures, revived with a rise of 8 at 320p after a volume of 11m shares; the preliminary figures are scheduled to be announced next Thursday. **BTR**, in contrast, gave up 8 to 312p and **BOC** eased a few pence to 456p. Elsewhere, **Avon Rubber** were a strong market again at 643p, up 33, following comment on the preliminary figures. **Ashley Industrial Trust** met with persistent speculative buying and touched 123p before closing 16 higher at 112p; the company stated yesterday that in relation to the increase in the share price, it was not aware of any information which calls for an announcement to be made. **NMC** advanced 14 to 210p on news of the agreement to acquire A. J. Bingley, a privately owned flexible packaging company based in Bristol for approximately £2.86m. Demand revived for **J. Wilkes**, up 28 at 280p, while **Just Rubber**, still reflecting an investment recommendation, improved 5 more to 107p. **Triefus** responded to the preliminary figures and proposed scrip issue with a rise of 18 to 97p, but profit-taking clipped 15 from **LDH** at 137p.

Takeover situations, both actual and rumoured, provided the features in the Leisure sector. **Riley**, the subject of a share-exchange offer from Midsummer Leisure, touched 110p prior to closing 2 higher at 106½p on suggestions of a counter-bid from Corton Beach. **GRA** added 2½ to 125p pending the outcome of bid talks with **Priest Marians**; the latter slipped 10 to 445p. **Owners Abroad**, in which International Leisure holds a stake, gained 14½ to 141½p on renewed takeover hopes.

A slightly easier sterling exchange rate against the dollar encouraged renewed buying of **Jaguar**. The business largely reflected activity between marketmakers but some US interest was reported and the shares recvered 8 to 527p. **Reliant** bounced 4 to 42p following digestion of Wednesday's interim report, which promised a second-half return to profitability and a resumption of dividends next year. Component issues were undecided with **Lucas Industries** 4 up at 587p and **Dowty** 4 down at 259p. Distributor **Hartwell** gained 2 to 115p on belated consideration of the increased annual profits and scrip issue.

International Thomson dipped on the March quarter loss, the first ever, and settled 30 lower at 704p. Recently-firm **Trinity** shed 35 to 695p and **Home Counties** 15 to 500p. Paper/Printings had **Delyn Packaging** up 25 more at 605p and **Eucalyptus Pulp** 2¼ points higher at £20¼, the latter on bid speculation. **Conrad** rose 10 more to 106p, also influenced by takeover hopes, while **Aspen Communications** jumped 13 to 440p. An investment recommendation boosted **TMD Advertising** 5 to 156p.

Leading Properties showed little alteration overall, but selected secondary issue attracted support, not least **Dares Estates** which spurted 6 to 51p on the announcement that the company had acquired a West End property off Regent Street for £11.7m; the board considers the property offers an exceptional investment opportunity. **Arlington Securities**, which revealed a major acquisition in the West Country on Wednesday, rose 10 more to 253p.

A flurry of profit-taking ended the recent good advance in **Ocean Transport** and the close was 9 down at 322p.

Sporadic buying interest lifted **Drummond** 15 to 180p and **Dura Mill** 7 to 215p, but spasmodic profit-taking took **SEET** down 6 to 153p and **H. Ingram** 8 lower to 157p. **R. Smallshaw** rose 5 to 110p.

Securities house **Smith New Court** went higher still on speculation that the group would shortly announce bumper profits; the shares closed 11 up at a best-ever 211p. **Ex-Lands**, 8 off at 72p, surrendered part of the previous session's sharp gain on Cleves Investments' acquisition of a near-15 per cent stake but **Kwahu**, which holds the major shareholding in Ex-Lands, advanced 7 to 55p. **Silvermines** reacted 6 to 125p.

Energy stocks held up fairly well until the late dealings when the appearance of domestic sellers lowered prices across the board. **BP** closed 6½ down at 335½p and **Shell** lost ⅛ at £12⅞. **Enterprise** shed 4 to 259p despite the optimistic statement at the annual meeting.

Business dropped off in the Traded Options market after Wednesday's record turnover. Contracts totalled 66,295 made up of 40,214 calls and 26,081 puts. **Rolls-Royce** attracted 7,537 calls and 2,435 puts. **Sears**, rumoured to be considering a bid for Combined English Stores, saw 2,310 calls and 5,580 puts.

FINANCIAL TIMES STOCK INDICES

	May 21	May 20	May 19	May 18	May 15	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.28	92.43	92.43	92.32	92.62	92.15	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.57	97.73	97.77	97.82	98.07	97.19	98.54 (13/5)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1677.7	1690.8	1719.0	1696.4	1,691.6	1,316.3	1,719.0 (19/5)	1,320.2 (2/1)	1,719.0 (19/5/87)	49.4 (26/6/40)
Gold Mines	433.3	439.2	433.3	444.1	429.9	228.3	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.42	3.40	3.35	3.40	3.39	4.19				
Earnings Yld.%(full)	8.28	8.21	8.09	8.18	8.18	10.37				
P/E Ratio (net) (*)	14.87	14.99	15.21	15.05	15.04	11.79				
SEAQ Bargains (5 pm)	50,412	57,059	48,685	50,314	49,571	—				
Equity Turnover (£m)	—	—	2009.46	1373.72	1,739.28	480.98				
Equity Bargains	—	—	60,565	63,477	60,949	21,097				
Shares Traded (ml)	—	—	840.7	574.3	693.7	204.7				

S.E. ACTIVITY

Indices	May 20	May 19
Gilt Edged Bargains	—	151.7
Equity Bargains	—	392.4
Equity Value	—	4061.6
5-Day Average		
Gilt Edged Bargains	—	147.6
Equity Bargains	—	398.8
Equity Value	—	3404.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1695.7	1688.7	1678.5	1679.3	1679.3	1680.3	1689.1	1682.7

Day's High 1695.8. Day's Low 1674.5. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=14.54.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (161)

BRITISH FUNDS (1), BANKS (5), BREWERS (4), BUILDINGS (11), CHEMICALS (5), STORES (11), ELECTRICALS (10), ENGINEERING (9), FOODS (3), HOTELS (1), INDUSTRIALS (29), INSURANCE (3), LEISURE (6), MOTORS (3), NEWSPAPERS (4), PAPER (9), PROPERTY (7), SHIPPING (3), TEXTILES (2), TRUSTS (25), OILS (2), OVERSEAS TRADERS (1), PLANTATIONS (1), MINES (5).

NEW LOWS (42)

AMERICANS (25), CANADIANS (7) Bank Montreal, Bank Nova Scotia, Can Imp Bank, Granges Expln., Henlys Group, Rio Algom, Trans Canada Pipe, BANKS (1) MCorp, CHEMICALS (1) Novo Inds, ELECTRICALS (1) Nth Telecom, INSURANCE (3) American Gen Cpn., Travelers, USLIFE, PAPERS (2) Scott Paper, TRUSTS (1), Japan Asset 4½pc Cnv 1994, OILS (1), Ohio Resources.

Traditional Options

- First dealings May 18
- Last dealings May 29
- Last declaration August 20
- For Settlement Sept 1

For rate indications see end of Unit Trust Service

Stocks deal in for the call including Lloyds Bank, Jaguar, Metals Exploration, Hughes Food, GEC, Rolls-Royce, Barker and Dobson, Bridon, Blackwood Hodge, Norfolk Capital, Commercial Union, Brooke Tool, ASDA-MFI, Sycamore, Stormguard, Scottish Metropolitan Property, Rock, Blacks Leisure, Kalon, KCA Drilling, Walter Lawrence, Airship Industries, Sound Diffusion, Antler and LASMO. Puts were taken out in NatWest Bank, Hill Samuel, Glynwed, Racal and Rank Organisation, while a double option was arranged in Conroy Petroleum.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	6,500	170	−3	Jaguar	4,100	527	+8
Allied Lyons	1,100	421	−3	Ladbroke	3,200	412	−3
Amstrad	1,500	203	−1	Land Securities	2,000	495	−4
Assoc. Brit. Foods	1,000	378	−4	Legal & Gen.	1,100	304	−3
Argyll Group	560	444	−2	Lloyds Bank	2,700	523	−20
BAT	3,200	539	−6	Lonrho	824	295	−3
BET	8,800	282	+3	MEPC	1,000	467½	−½
BOC	770	456	−4	Marks & Spncr	2,800	252	+1
BPB Inds	121	748	−10	Midland Bank	2,500	633	−24
BPCC	2,100	297	+2	NatWest Bank	3,600	673	−12
BTR	1,800	312	−8	Next	986	348	+1
Barclays	1,400	543	−16	Pearson	4,500	629	+10
Bass	910	977	−11	P & O	1,200	667	−1
Beecham	1,500	507	—	Pilkington Bros	337	841	−4
Blue Circle	210	905	−2	Plessey	1,400	225	−6
Boots	10,000	320	+8	Prudential	607	912	−23
Brit. Airways	7,300	148	−6	Racal	1,300	246	−4
Brit. Aero	9,300	612	−18	Rank Org.	397	735	−6
Brit. & Comm.	650	435	−2	RHM	418	312	−5
Brit. Gas	37,000	107	−1½	Reckitt & Col	319	£11⅛	−¼
Britoil	3,400	264½	−4½	Redland	1,100	499	−3
BP	6,800	335½	−6½	Reed Intl.	961	441	−3
Brit. Telecom	13,000	294	−6	Reuters	406	698	+3
Bunzl	1,300	249	—	RMC	140	908	−7
Burton	2,100	313	—	RTZ	727	£10⅞	−⅛
Cable & Wire	3,200	403	−6	Rolls-Royce	146,500	144	—
Cadbury Schwps	9,000	241½	−4½	Rowntree Mac	352	505	−2
Coats Viyella	651	650	—	Ryl Bank Scotland	750	339	−1
Comm. Union	6,300	330	−6	Royal Insurance	775	963	−2
Cons. Gold	1,100	£11¼	−¼	STC	4,500	301	+2
Cookson	266	669	−3	Saatchi & Saatchi	817	606	−12
Courtaulds	1,700	456½	−3½	Sainsbury	1,000	520	−2
Dee Corpn	7,300	242	+10	Sears	25,000	164½	−1½
Dixons Grp	2,200	388	+2	Sedgwick	420	300	+1
English China Clays	102	458	—	Shell Trans	2,100	£12⅞	−⅛
Fisons	1,000	355	+4½	Smith & Nephew	2,700	158	−1½
Gen. Accident	428	993	+8	Standard Chart.	518	823	−2
Gen. Elect.	6,000	225	−3	Storehouse	1,400	324	+5
Glaxo	1,300	£15¼	—	Sun Alliance	256	858	−5
Globe Investment	180	167	—	TSB	2,900	89	+½
Granada	698	355½	−½	Tarmac	1,100	564	−6
Grand Met	1,600	522	—	Tesco	1,900	520	−1
Gus "A"	573	£14½	+⅛	Thorn EMI	829	689	+1
Guardian R.E.	159	960	−3	Trafalgar House	1,100	355	−6
GKN	1,300	321	−2	T'house Forte	3,700	235½	−6½
Guinness	1,300	354	−3	Unigate	2,800	420	+7
Hanson Trust	7,800	164	−2½	Unilever	794	£29½	−⅛
Hawker Sidd	580	530	—	United Biscuits	728	299	—
Hillsdown Hldgs	1,100	277	—	Wellcome	960	449	−11
ICI	1,400	£13¾	−⅛	Whitbread "A"	1,300	347	−3
				Woolworth	716	873	+10

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	47	21
Corporations, Dominion and Foreign Bonds	2	20	44
Industrials	455	478	609
Financial and Properties	177	131	286
Oils	16	41	55
Plantations	1	1	12
Mines	25	98	63
Others	57	89	94
Totals	778	905	1,184

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Thursday May 21 1987 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed May 20 Index No.	Tues May 19 Index No.	Mon May 18 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	907.32	−0.7	7.44	2.92	16.96	9.07	913.49	928.13	921.37	716.74
2	Building Materials (27)	1156.43	−0.6	7.23	2.88	17.23	9.58	1163.13	1178.27	1162.97	794.23
3	Contracting, Construction (33)	1529.04	−0.3	7.71	3.12	17.46	18.65	1533.19	1549.76	1543.62	1167.60
4	Electricals (13)	2352.22	+0.1	5.68	3.29	23.64	31.62	2349.02	2370.85	2365.42	1934.90
5	Electronics (36)	2060.61	−0.8	7.51	2.13	17.45	12.00	2075.80	2131.18	2134.95	1650.39
6	Mechanical Engineering (59)	499.26	−0.7	8.43	3.47	15.12	7.03	502.90	510.74	505.69	409.89
8	Metals and Metal Forming (7)	498.13	−0.5	7.46	3.05	16.16	5.36	500.47	505.11	498.04	347.93
9	Motors (15)	334.43	+0.4	9.05	3.19	12.73	3.24	333.05	339.02	336.38	288.47
10	Other Industrial Materials (21)	1490.36	−1.4	6.20	3.31	19.37	18.43	1512.05	1525.52	1505.80	1291.79
21	CONSUMER GROUP (185)	1257.48	−0.1	6.16	2.60	20.96	8.29	1259.32	1276.54	1268.31	901.98
22	Brewers and Distillers (22)	1161.40	−0.6	8.03	3.04	15.82	5.09	1168.68	1192.71	1181.71	924.84
25	Food Manufacturing (25)	957.59	−0.5	7.28	3.14	18.08	10.90	962.45	974.73	973.57	654.25
26	Food Retailing (15)	2316.41	+0.1	5.75	2.49	23.77	11.45	2314.37	2336.03	2380.05	1877.69
27	Health and Household Products (10)	2353.56	−0.4	4.18	1.65	28.02	8.73	2362.81	2394.57	2371.08	1505.62
29	Leisure (31)	1300.62	−0.7	5.97	3.27	22.08	14.64	1309.61	1326.23	1316.41	874.30
31	Packaging & Paper (15)	654.66	−0.3	6.00	2.52	21.70	4.97	656.61	662.63	659.64	448.03
32	Publishing & Printing (14)	3668.38	−0.3	6.19	3.08	21.00	33.22	3679.06	3706.21	3731.88	2333.97
34	Stores (37)	1117.13	+0.8	5.98	2.52	22.81	6.56	1108.65	1127.00	1107.04	883.36
35	Textiles (16)	750.49	−0.3	7.74	2.73	14.89	5.63	752.41	755.31	737.80	535.37
40	OTHER GROUPS (87)	1051.86	−1.1	7.77	3.19	16.21	8.19	1063.42	1081.29	1071.26	780.60
41	Agencies (17)	1465.10	−0.2	4.06	1.70	27.62	8.06	1468.59	1480.99	1471.59	0.0
42	Chemicals (21)	1283.94	−0.9	7.61	3.41	16.12	18.71	1295.83	1318.44	1301.31	855.26
43	Conglomerates (11)	1324.40	−0.7	6.69	3.22	17.63	7.75	1333.12	1344.55	1331.62	0.0
45	Shipping and Transport (11)	2141.24	−1.0	7.38	3.71	16.98	23.04	2163.85	2196.26	2189.59	1563.23
47	Telephone Networks (2)	1138.40	−1.9	8.21	3.29	16.60	1.09	1160.45	1187.24	1177.23	891.79
48	Miscellaneous (25)	1392.75	−0.7	9.45	3.15	12.67	17.56	1402.28	1425.75	1411.25	1007.48
49	INDUSTRIAL GROUP (483)	1123.76	−0.5	6.92	2.84	18.41	8.72	1129.81	1146.88	1138.37	833.60
51	Oil & Gas (17)	2024.36	−1.2	5.67	4.56	22.84	37.06	2048.76	2099.87	2098.16	1206.80
59	500 SHARE INDEX (500)	1200.04	−0.6	6.73	3.09	18.95	11.20	1207.67	1227.66	1219.74	866.66
61	FINANCIAL GROUP (117)	746.89	−0.9	—	3.91	—	11.06	753.43	765.75	749.66	590.03
62	Banks (8)	783.63	−2.0	18.05	4.78	7.33	15.49	799.36	827.53	802.14	622.37
65	Insurance (Life) (9)	1017.36	−1.3	—	4.14	—	20.71	1030.35	1041.17	1032.09	815.36
66	Insurance (Composite) (7)	560.94	−0.3	—	4.36	—	11.76	562.81	565.11	551.53	489.42
67	Insurance (Brokers) (9)	1195.69	—	9.03	4.50	14.23	22.64	1196.28	1204.78	1204.76	1175.02
68	Merchant Banks (11)	390.00	−0.2	—	3.24	—	2.91	390.60	395.75	387.87	349.50
69	Property (46)	1135.33	−0.3	4.06	2.57	31.82	4.36	1138.58	1148.99	1121.60	759.03
70	Other Financial (27)	481.01	+0.3	6.87	3.23	18.54	3.23	479.74	482.28	479.23	341.59
71	Investment Trusts (94)	996.15	+0.2	—	2.35	—	6.68	993.67	1004.31	1001.30	735.63
81	Mining Finance (2)	544.37	−2.6	5.62	3.05	20.93	6.79	558.62	548.65	541.81	283.76
91	Overseas Traders (11)	1043.20	—	8.51	4.32	14.09	14.27	1042.89	1047.48	1045.79	693.25
99	ALL-SHARE INDEX (724)	1078.92	−0.7	—	3.20	—	10.93	1086.05	1103.10	1093.66	786.71

	Index No.	Day's Change	Day's High	Day's Low	May 20	May 19	May 18	May 15	May 14	Year ago
FT-SE 100 SHARE INDEX ‡	2153.7	−20.3	2180.6	2153.2	2174.0	2214.3	2192.1	2189.7	2180.8	1598.8

FIXED INTEREST

	PRICE INDICES	Thurs May 21	Day's change %	Wed May 20	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.81	−0.06	124.89	—	4.38
2	5-15 years	145.73	−0.01	145.75	—	5.03
3	Over 15 years	155.78	+0.15	155.55	—	5.16
4	Irredeemables	168.83	−0.10	168.99	—	6.07
5	All stocks	141.57	—	141.56	—	4.88
	Index-Linked					
6	5 years	123.17	−0.40	123.66	—	0.83
7	Over 5 years	119.46	−0.45	120.01	—	1.17
8	All stocks	119.58	−0.45	120.11	—	1.13
9	Debentures & Loans	125.16	−0.14	125.34	—	3.79
10	Preference	88.49	+0.23	88.29	—	2.77

	AVERAGE GROSS REDEMPTION YIELDS		Thurs May 21	Wed May 20	Year ago (approx.)
	British Government				
1	Low	5 years	7.72	7.72	7.60
2	Coupons	15 years	8.73	8.74	8.74
3		25 years	8.74	8.76	8.77
4	Medium	5 years	8.77	8.74	8.86
5	Coupons	15 years	8.95	8.96	9.05
6		25 years	8.96	8.96	9.06
7	High	5 years	8.94	8.88	9.08
8	Coupons	15 years	9.08	9.09	9.18
9		25 years	8.91	8.92	9.13
10	Irredeemables †		8.82	8.81	8.66
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.16	2.03	3.43
12	Inflat'n rate 5%	Over 5 yrs	3.55	3.52	3.26
13	Inflat'n rate 10%	5 yrs	1.69	1.56	2.23
14	Inflat'n rate 10%	Over 5 yrs	3.45	3.42	3.09
15	Debs &	5 years	9.69	9.70	10.11
16	Loans	15 years	10.07	10.05	10.04
17		25 years	10.12	10.09	9.98
18	Preference †		10.23	10.25	10.74

‡ Opening index 2180.5; 10 am 2170.9; 11 am 2157.5; Noon 2160.4; 1 pm 2159.6; 2 pm 2160.8; 3 pm 2169.8; 3.30 pm 2164.7; 4 pm 2161.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡180	F.P.	15/5	218	189	Airtours10p	218	+1	R5.4	2.5	3.4	15.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices May 21

[illegible]

MONTREAL
Closing prices May 21

[illegible]

Total Sales 9,220,359 shares

F—No voting rights or restricted voting rights.

Indices

NEW YORK-DOW JONES

	May 21	May 20	May 19	May 18	May 15	May 14	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,225.77	2,215.87	2,221.28	2,258.66	2,272.52	2,325.48	2405.54 (6/4/87)	1927.31 (2/1)	2405.54 (6/4/87)	41.22 (2/7/32)
Transport	833.81	833.42	834.33	854.15	863.66	870.04	870.84 (14/5)	810.38 (2/1)	954.84 (6/5/87)	12.32 (8/7/32)
Utilities	193.89	191.38	192.71	198.53	192.76	200.82	227.83 (22/1/87)	191.38 (20/5)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol		207.05m	178.16m	174.16m	180.80m	152.37m	—	—	—	—

	April 24	April 10	April 3	Year Ago (Approx)
Ind Div Yield %	2.86	2.86	2.80	3.55

STANDARD AND POORS

	May 21	May 20	May 19	May 18	May 15	May 14	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	332.28	323.81	325.67	333.67	334.57	342.46	349.83 (6/5/87)	274.58 (2/1/87)	349.49 (6/4/87)	3.62 (21/6/32)
Composite	280.17	278.21	279.62	286.65	287.43	294.24	301.95 (6/4/87)	246.45 (2/1/87)	301.95 (6/4/87)	4.40 (1/6/32)

	April 22	April 15	April 8	Year Ago (Approx)
Ind div yield %	2.52	2.54	2.47	2.88
Ind. P/E Ratio	23.17	21.23	22.12	17.22
Long Gov Bond Yield	8.32	8.38	7.88	7.78

N.Y.S.E. ALL COMMON

May 21	May 20	May 19	May 18	1987 High	1987 Low
158.87	157.92	157.83	161.45	171.88 (24/3/87)	141.81 (21/1)

RISES AND FALLS

	May 20	May 19	May 18
Issues traded	2,088	2,008	2,012
Rises	443	337	448
Falls	1,168	1,318	1,218
Unchanged	388	344	364

TORONTO

	May 21	May 20	May 19	May 18	1987 High	1987 Low
Metals & Minls	2,728.9	2,784.4	2,823.8	(c)	2,943.6 (11/5/87)	1,988.2 (2/1/88)
Composite	3,888.3	3,728.3	3,764.7	(c)	3,881.2 (8/4/87)	3,067.8 (2/1/88)
MONTREAL Portfolio	1,828.47	1,825.8	1,847.39	(c)	1,935.0 (8/4/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	May 21	May 20	May 19	May 18	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1845.4	1854.6	1838.75	1858.5	1858.8 (18/5)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1266.2	1284.4	1256.1	1287.1	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	184.32	186.57	187.39	186.58	230.60 (2/1)	184.32 (21/5)
BELGIUM						
Brussels SE (1/1/84)	4475.30	4512.40	4569.60	4635.0	4683.0 (15/5)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	202.10	203.10	203.12	203.86	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	504.8	509.6	513.9	514.2	519.1 (7/5)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	421.70	425.60	436.30	428.70	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	103.50	104.90	108.20	106.70	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	571.46	570.98	579.22	582.60	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	(u)	1729.60	1752.20	1762.0	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	2870.91	2878.10	2881.47	2875.45	2939.05 (3/3)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	702.44	699.10	697.77	700.22	767.34 (30/4)	673.60 (3/3
JAPAN**						
Nikkei (16/5/49)	23754.01	23419.60	24077.88	24298.98	24729.08 (15/5)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2073.34	2054.91	2122.10	2139.36	2193.75 (11/5)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	287.60	286.50	292.40	288.30	293.4 (9/4)	257.7 (28/1)
ANP CBS Indust. (1970)	253.20	253.50	258.50	257.90	274.9 (5/1)	243.7 (28/1)
NORWAY						
Oslo SE (4/1/83)	422.62	423.62	421.04	420.58	436.16 (24/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1216.91	1207.80	1200.81	1193.90	1216.91 (21/5)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2276.0	2244.0	2289.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	1955.0	1947.0	1957.0	1957.0 (19/5)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	220.98	224.10	222.77	223.70	255.95 (23/2)	202.89 (8/5)
SWEDEN						
Jacobson & P (31/12/56)	2614.90	2560.60	2605.80	2586.50	2782.10 (6/5)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Corp (31/12/58)	582.90	580.60	588.10	588.80	603.3 (6/1)	564.5 (25/2)
WORLD						
M.S. Capital Intl (1/1/70)	(u)	455.00	462.30	468.30	476.50 (8/5)	361.3 (2/1)

**Saturday May 2. Japan Nikkei 24,009.0 TSE 2,138.63

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500, NYSE All Common 50 Standard and Poor's -10, and Toronto Composite and Metals 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 Industrials plus 40 Utilities 40 Financials and 20 transports. (c) Closed (u) Unavailable

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Chcorp	2,485,000	68¾	+3¼	Amer Expr	1,514,300	33	+1
Beckin Ind	2,380,100	75¼	+3	Har Bra Jo	1,432,200	45⅜	−1⅛
Navistar	2,143,300	7⅛	+ ⅛	IBM	1,313,700	168¼	+1⅝
Texaco	1,791,500	37⅜	+ ⅛	Zayre CP	1,313,100	25¼	+1⅛
Chrysler	1,616,280	35	+ ⅜	ATT	1,306,800	25⅝	+ ⅜

Advances 876 Declines 398

TOKYO – Most Active Stocks
Thursday, May 21, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	42.57m	345	+ 9	Nippon Light Metal	12.77m	388	+41
Niigata Eng.	28.10m	379	+38	Nisshin Steel	12.43m	387	+ 9
Hitachi Zosen	25.84m	238	+28	Tokyo Steel	12.04m	920	+90
Tokyo Tokeiki	21.21m	779	+56	Nippon Kokan	11.25m	317	+17
Sumitomo Indz.	16.06m	377	+14	Nippon Yakin Kogyo	10.95m	458	+27

LONDON – Most Active Stocks
Thursday, May 21, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Rolls-Royce	146.5m	144	nch	Brit Aero	9.3m	612	−18
Brit Gas	37.0m	187	− 1½	Cadbury Schwps	9.8m	241½	− 4½
Sears	25.8m	164½	− 1½	BET	8.8m	282	+ 3
Brit Telecom	13.0m	284	− 6	Hanson Tr	7.8m	164	− 2½
Boots	10.8m	320	+ 8	Brit Airways	7.2m	148	− 6

OVER-THE-COUNTER *Nasdaq national market, closing prices*

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Insurer buys into broker

By Our Financial Staff

FIREMAN'S FUND, the big US insurance group, and a group of its subsidiaries have acquired a 10.9 per cent stake in Alexander & Alexander Services, the US insurance broker, and plan to seek federal regulatory clearance to boost their holdings to more than 15 per cent, should they decide to do so.

In a filing with the US Securities & Exchange Commission, Fireman's, spun off in 1985 by American Express, said it had acquired its Alexander & Alexander stock for investment purposes "and not for the purpose or effect of changing or influencing the control" of the company.

According to the filing, the Fireman's Fund group holds 3.8m Alexander & Alexander shares, including 1.9m shares purchased between April 13 and May 13 at $23.47 to $28.07 a share.

The group said its members "currently intend to purchase additional common shares in the open market or in privately negotiated transactions or otherwise."

Seagram forecasts end to decline in spirits

BY ROBERT GIBBENS IN MONTREAL

SEAGRAM, the world's largest *drinks company, believes the long* decline in North American demand for spirits has finally ended.

However, the company is continuing to stress expansion in the premium wines, coolers and liquor markets in Europe and the Asia-Pacific region where growth prospects are better, says Mr Edgar Bronfman, chairman.

Seagram, which had 1986 sales of US$3.3bn and earnings, including dividend from Du Pont, of US$423.4m, or $4.45 a share, expects a better performance for 1987, Mr Bronfman said after the annual meeting. So far both the drinks business and Du Pont, the US chemical group in which Seagram has a 22.5 per cent stake, are doing better than in 1986.

Seagram is actively negotiating a joint manufacturing and marketing venture in coolers and wines in China, which ultimately will lead to *construction of a distillery. The* products are intended mainly for the *tourist industry.*

Mr Bronfman said the sale of Seagram's oil and gas subsidiary in Thailand should be completed soon. This subsidiary, though insignificant on the Seagram balance sheet, is almost 100 per cent owned and has major gas potential, he said.

Seagram's sole investment in oil and gas would then comprise Conoco through its interest in Du Pont.

Mr Bronfman said the sale of the Bronfman family's 51 per cent in*terest in Cadillac Fairview, the big* North American real estate development group, to JMB Realty of Chicago for nearly US$1.5bn, will go through as planned. "We see no evidence of another bid," he said.

Mr Bronfman also said that his son Edgar Junior, who is president of House of Seagram, the company's US marketing arm, would succeed him at the head of the whole company "all things being equal." However, he said he had no plans to retire at his present age of 57.

LONDON Chief price changes (In pence unless otherwise indicated)

RISES:		
Ash Indl. Tst	112	+ 6
Av. Rubber	643	+33
Boots	320	+ 8
Coates Bros. A	253	+14
Conrad Hldgs	106	+10
Dee Corp.	242	+10
Delyn Pckg	605	+25
Drummond	180	+15
Eucal. Pulp	£20¼	+ 2⅛
Finlay (J.)	117	+ 6
Heath (C. E.)	498	+33
Jaguar	527	+ 8
Kwahu	55	+ 7
NMC Invs.	210	+14
Owners Abr.	141½	+14½
Smith New Crt.	211	+11
Triefus	97	+18
Unigate	420	+ 7
Upton (E) A.	110	+10
FALLS:		
Bejam	208	− 9
Brit Aerospace	612	−18
BP	385½	− 6½
Circaprint	168	−15
Ex-Lands	72	− 8
Ingram (H)	157	− 8
Lloyds Bk	523	−20
Midland Bk	633	−24
Ocean Trans	322	− 9
Trinity Intl	695	−35
Underwoods	198	−11

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33 5/8	20 1/8	AAR s	.50	1.7	20	106	29 1/2	29	29 1/2	-1/8
37	21 1/8	ADT	.92	3.0	17	163	30 5/8	30 1/4	30 5/8	+3/8
27 5/8	15 3/4	AFG s	.16	.7	11	253	24 3/8	23 3/4	24 1/4	
43 3/4	16 3/4	AGS			21	37	41	40 3/4	41	
13 1/2	6 3/4	AMCA				3	7 7/8	7 3/4	7 7/8	+1/8
[illegible]	4 7/8	AM Intl				929	6 1/2	6 1/4	6 1/4	
62 1/8	47 1/4	AMR			11	4005	55 1/4	53 7/8	54	-1/8
27 1/2	25	ANR pf	2.67	11.		6	25	d24 7/8	25	-1/4
25	20 7/8	ANR pf	2.12	9.1		1	23 3/8	23 3/8	23 3/8	+1/8
11 3/4	8	ARX s			12	72	10 3/8	10 1/4	10 3/8	
73 1/2	28 3/4	ASA	2a	3.3		1184	63 1/4	61 1/4	61 1/2	-2
20	9 3/4	AVX		1.9	84	209	17	16 7/8	16 7/8	+1/8
67	41	AbtLab	1	1.8	23	4079	57 3/8	56 1/4	56 3/4	+1
34 3/4	25	AccoWd	.62	2.1	19	852	29 3/4	29 1/4	29 3/4	+5/8
15 1/8	9	AcmeC	.40	3.3	9	48	12 3/8	12 1/4	12 1/4	+1/8
8 3/8	6 1/8	AcmeE	.32b	4.1	30	25	7 3/4	7 5/8	7 3/4	
23 7/8	19	AdaEx	3.42e	16.		60	20 7/8	20 5/8	20 3/4	
19 1/2	11 3/8	AdmM s	.24	1.6	11	6	15 1/8	15 1/8	15 1/8	
27 1/2	12 1/8	AdvSys	.62t	3.4	14	7	18 1/2	18 3/8	18 1/2	+1/8
27 3/8	12 7/8	AMD				3091	20 3/4	20 1/4	20 3/8	+1/4
54 3/4	49 3/8	AMD pf	3	5.8		125	51 1/2	51 1/2	51 1/2	
10 3/4	5 1/4	Adobe				233	9 3/8	9 1/4	9 3/8	
20 1/2	13 3/4	Adob pf	1.84	9.4		4	19 1/2	19 3/8	19 1/2	+1/4
21 7/8	16 3/8	Adob pf	2.40	12.		15	20 3/8	20 3/8	20 1/2	+1/8
18 3/8	11 1/2	Advest	.12a	.9	10	564	14 1/4	13 3/8	13 3/8	+1/8
68 1/4	53	AetnLf	2.76	4.9	9	2585	57	56 3/8	56 3/4	+1/2
53 5/8	51 1/8	AetL pf	2.81e	5.4		50	52 3/8	52 3/8	52 3/8	-1/8
53 7/8	22 7/8	AfilPb s	.32	.6	26	423	50	48 1/8	48 3/4	-1/8
28 3/4	18 5/8	Ahmans	.88	4.6	6	5254	19 3/8	18 7/8	19 1/8	
5 3/4	2 7/8	Aileen				114	4 3/4	4 5/8	4 5/8	
48 1/2	29 1/8	AirPrd	.80	1.9	27	833	43 1/2	42 1/2	42 5/8	+1/4
36	18	AirbFrt	.60	1.7	13	249	34 7/8	34 1/8	34 1/2	+5/8
12	7 5/8	Airgas n				125	11	10 1/2	10 3/4	+1/2
20 3/8	16 1/4	Airlse n	1.03e	6.1		47	17	16 1/2	16 3/4	-1/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 50

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
3½	1⅜	Tricntr				38	3¼	3⅛	3⅛	
29¼	13¼	Trinty	.50	1.9	55	876	26⅝	26⅜	26⅜	+⅛
69⅝	42¼	Trinov s	1	1.6	9	465	62½	61⅝	62	+⅝
21½	13⅝	TritEng	.10b	.5	15	613	19⅞	19⅝	19⅞	
65	51	TucsEP	3.60	6.3	12	172	57⅝	56¾	57¼	+¼
24	15⅛	Tultex s	.36	2.0	15	443	18⅞	18¼	18¼	−½
18⅝	14¼	TwinDs	.70	4.0		80	17½	17⅜	17⅜	
60⅝	29¾	TycoLb	.40	.9	19	133	45⅛	44¾	44⅞	−⅛
17⅝	11⅛	Tyler	.40	3.2	24	41	12⅝	12¼	12⅝	+½
		U U U								
35½	18	UCCEL			29	134	33	32⅞	32⅞	+⅛
27⅛	17⅛	UOC s	2.20	10.	7	185	22	21⅝	21¾	

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
29	18½	WstnSt	.24	1.2	11	149	20	19¾	20	−⅛
8⅞	3¼	WUnion				598	4⅞	4¾	4⅞	+⅛
25¼	18	WnUn pf				1	23¼	23¼	23¼	−½
6⅝	1⅜	WnU pfS				28	2⅞	2⅝	2⅞	+⅛
11	2⅝	WnU pfE				77	3¼	3⅛	3⅛	−⅛
15⅞	6¾	WUTl pfA				11	8¾	8⅝	8¾	+⅛
65⅝	46½	WstgE	1.72	3.0	13	6410	59⅛	58	58	+1⅛
54	31¼	Wstvc s	1	2.4	17	659	44¼	41	41	−2¼
60	30⅜	Weyerh	1.30	2.7	21	7777	48¾	47½	48⅛	+1
46	45¾	Weyer pr	2.62	5.6		27	46¾	46½	46¾	+⅛
12	5⅝	vjWhPit				160	8⅞	8⅝	8¾	+⅛
23	13	vjWhPitpf				210	20½	20½	20½	
41½	29¼	Whrlpl s	1.10	3.2	13	1182	35	34⅝	34⅝	+¼
29⅝	20¼	Whitehl			38	129	20	d19	19⅛	−1⅛
35	24⅝	Whittak	.60	1.8	100	253	34⅛	33⅝	33⅞	+¼
17¼	6⅝	Wilfred	.12	1.7	14	108	7	6⅞	6⅞	+⅛
25¼	11⅞	WillcxG	.15	.7	15	94	22½	22	22½	+½
34¾	17⅞	Willamt	.40	4.6		2583	31⅝	31⅛	31¼	+⅜
8⅞	4½	WilshrO				54	5⅞	5¾	5¾	−⅛
17¾	10¼	Winchl n	.45e	4.1		336	11	10½	10⅞	−⅛
59	35¼	WinDix	1.80	4.2	17	124	43⅝	43	43	+⅛
17⅞	9	Winnbg	.40	3.3	16	329	12⅝	12⅛	12¼	+⅛
5⅞	2⅝	Winner				98	3⅝	3⅛	3¼	
10⅝	5⅛	WinterJ	.16e	3.0	29	18	5¼	5⅛	5¼	+⅛
64½	45½	WiscEn	2.88	6.2	10	274	47	46⅝	46¾	+⅛
31	25¼	WisG pf	2.55	9.5		5	26¾	26¾	26¾	
60⅛	42½	WiscPL	3.04	6.5	11	80	46⅞	45⅝	46½	+⅞
63	42⅝	WiscPS	3	6.6	12	102	45⅞	45⅝	45⅝	
47⅜	31⅛	Witco s	1.12	2.8	13	321	39⅞	39	39⅜	−⅛
14	8⅛	WolvrW				345	11⅜	11	11⅛	
54	37	Wlwth s	1.32	2.9	13	2074	46	45¼	45¼	+⅛
7¼	2	WrldAr				18	6⅛	6⅛	6⅛	
19¾	14⅜	WrldVl n				43	16⅝	16⅛	16⅝	+¼
54	39	Wrigly s	1.04	2.2	17	151	48	45⅞	46⅜	+1⅝
3⅞	1⅜	Wurltzr				39	2½	2⅜	2½	
18⅞	11	WyleLb	.32	1.9	31	97	17	16½	17	+⅜
25¾	16	Wynns	.60	3.5	12	691	17⅛	16⅝	17⅛	+⅜
		X Y Z								
81¼	49⅝	Xerox	3	4.0	18	7437	75⅜	74	75	+1½
58¼	55	Xerox pf	5.45	9.8		11	55⅞	55½	55⅞	+⅛
28⅞	21½	XTRA	.64	2.5		221	25⅞	24⅝	25⅞	+1¼
24½	13½	Yorkin			15	156	23½	23	23½	+½
6	2¼	Zapata				248	4⅞	4⅝	4¾	
49⅞	20¾	Zayre s	.40	1.6	16	14815	25¾	24⅝	25¾	+1⅞
14¾	9¾	Zemex	.40	3.3	6	11	12¼	12⅛	12⅛	−⅛
29⅝	18⅞	ZenithE				2909	29⅛	27¼	28⅜	+1¼
17½	8	ZenLb s				575	10⅞	10¼	10⅜	
18⅜	12⅝	Zero	.36	2.1	18	160	17½	17¼	17⅜	
51¾	32¾	Zurnin	1.32	2.9	16	170	46½	44¾	46	+2
10⅝	8¾	Zweig n	.10e	1.1		879	9⅛	8⅞	8⅞	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

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OVER-THE-COUNTER *Nasdaq national market, closing prices*

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FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Gains limited as interest rate doubts continue

WALL STREET

BREAKING a five-session losing streak, Wall Street share prices rose modestly yesterday in light volume, *writes Roderick Oram in New York.*

Credit markets, helped by a firmer dollar, pushed up Treasury bond prices by almost one point in early trading before giving up almost all the gains.

The Dow Jones industrial average closed up 9.90 points at 2,225.77.

Its inability to hold on to gains which reached almost 28 points in the morning and late afternoon indicated investors continuing uncertainty about the course of interest rates. Over the previous five sessions it had fallen 114 points or 4.89 per cent.

Broader market indices showed comparable gains with the Standard & Poor's 500 adding 1.96 to 280.17 and the New York and American stock exchange indices adding 1.05 to 158.07 and 0.67 to 322.54, respectively.

NYSE volume was thin at 165.1m shares, although advancing issues outnumbered those declining for the first time in eight sessions by a margin of three-to-two.

Bank stocks continued to rise in the wake of the market's favourable reaction to Citicorp's huge increase in loan-loss reserves. It was the most active NYSE issue with 2.8m shares traded as it rose $2⅝ to $55⅞.

Manufacturers Hanover, which had been hardest bit in the wake of Citicorp's news, added $⅝ to $39⅝, Chase Manhattan gained $1⅝ to $36⅛ despite postponing a $200m note issue, and BankAmerica, the most fragile of the big banks, was unchanged at $11.

Other interest-rate sensitive stocks – such insurance, savings and loans and financial service companies – rose as interest rates eased slightly. Aetna Life added $½ to $56⅝, CIGNA gained $⅝ to $57⅝, Great Western Financial rose $2 to $48 and American International Group rose $1¼ to $62¼.

Technology, drug and paper stocks resumed the market leadership role they had played before the recent downturn. IBM rose $⅝ to $157, Unisys gained $½ to $113⅝, Merck advanced $1⅞ to $150⅝, Upjohn added $1 to 45⅛, International Paper put on $1⅝ to $44⅝ and Scott Paper rose $⅝ to $66⅛.

Burlington Industries rose $2⅝ to $75⅛. The largest textiles producer in the US agreed to be acquired for $76 a share by a company formed by Morgan Stanley, the investment banker.

The move apparently thwarted a $72-a-share bid from Mr Asher Edelman, the New York investor, and Dominion Textile of Canada. Morgan Stanley rose $½ to $70⅝.

Chrysler gained $½ to $34⅝ on trading of more than 1.0m shares. Renault, the French vehicle maker, approved the sale of its American Motors subsidiary to Chrysler. American Motors was unchanged at $4⅛.

Texaco was unchanged at $37½ on heavy trading. Mr Robert Holmes a Court, the Australian investor, has taken a 6.4 per cent stake, raising speculation he would try to influence the outcome of Texaco's $10.3bn legal battle with Pennzoil which rose $4⅝ to $85⅝.

Alexander & Alexander fell $⅛ to $25⅝. Fireman's Fund, unchanged at $35, has bought a 9.2 per cent stake in the insurance service and brokerage group.

Among companies reporting higher earnings yesterday, Firestone Tire and Rubber rose $⅝ to $36⅝ and Campbell Soup fell $½ to $61⅝.

Credit markets were helped by a firmer dollar and short covering as traders prepared for the possibility of a Federal Reserve discount rate increase and economic news today. Bond prices rose almost one point at the long end in early trading but slipped back later.

By late afternoon the price of the 8.75 per cent Treasury long bond was up only 1/32 of a point at 96⅝ yielding 9.05 per cent. At the short end of the markets, three-month Treasury bills fell about seven basis points to a bond yield equivalent of 5.68 per cent.

Rates on bank paper fell about five basis points, however, indicating that markets were returning to more normal spreads following the short-lived flight to quality in the wake of Citicorp's news.

Chase Manhattan postponed a $200m note issue because it would not guarantee underwriters that it had no plans to follow Citicorp's action on loan-loss reserves. BankAmerica, which said it had no intention of adding to reserves, went ahead with an issue.

The key economic news due today is April's consumer price index. A rise of about 0.5 per cent from March is expected, which could make the markets a little jittery about an increase in the rate of inflation.

CANADA

GOLDS fell sharply in Toronto in reaction to lower international bullion prices and the stronger US dollar, offsetting a modest advance by most other stock groups.

Lac Minerals fell C$1 at C$47⅞ and International Corona $1⅛ at C$43⅛.

Bank stocks made modest gains after losing ground the previous two days. Royal Bank rose C$⅝ to C$32⅝, Toronto Dominion C$⅝ to C$27½ and Bank of Montreal C$½ to C$33⅝.

The recovery on Wall Street took up industrials interlisted on US exchanges. Seagram gained C$⅝ at C$93, Northern Telecom C$¼ at C$25 and Bell Canada C$¼ at C$41¼.

Rothmans surged C$13½ to C$78½ after announcing a special payout of C$40 a share to reduce a cash surplus after its recent sale of brewers Carling O'Keefe.

Montreal rose against the trend.

Paul Cheeseright on a move to spread ownership of buildings

London approves single property listing

THE UK Stock Exchange yesterday launched a new market when it published new rules for the listing of companies and trusts whose sole asset is a single property.

The new market will deal in units of a single property or equity and debt securities of a company owning a single property. Trading is likely to begin in July.

The publication of the listing requirements, in the form of additions to the Stock Exchange Yellow Book of regulations, comes two years after the Royal Institution of Chartered Surveyors first proposed the introduction of single property investment vehicles.

The impetus behind the creation of a new property market has been concern about the lack of liquidity in the property industry. Only a few of the largest financial institutions have the capacity or the desire to buy the largest properties.

It is hoped that splitting up the ownership of properties into units or securities, readily tradeable and with a relatively low purchase price, will attract fresh investment from institutions and individuals.

The Stock Exchange regulations have been drawn up to accommodate the offer to the market of three types of single property investment vehicles:

- single asset property companies, with issues of equity and debt;
- single property ownership trusts, the holders of whose units would own the property and share in its rental income;
- property income certificates, which would entitle holders to a portion of the rental income of a particular property and a share in the management company running that property.

The regulations specify that any offering to the market must be based on a property with a value of at least £10m. The property has to be owned freehold or on a lease of at least 110 years.

The new market is not designed to finance development projects. Rather, it is aimed at spreading ownership of existing buildings and at permitting companies to realise their property assets.

EUROPE

Stronger $ reinforces mild technical recovery

SENTIMENT in Europe was improved by a stronger dollar, and a technical reaction to Wednesday's sharp losses left bourses generally firmer. Institutional bargain-hunting dominated, however, and the underlying mood remained depressed.

Frankfurt rose on bargain hunting, underpinned by favourable company news. The dollar's recovery helped share prices upwards, and the Commerzbank index, calculated at midsession, rose 0.6 points to 1,730.2.

Banks gained ground after Wednesday's losses, with Dresdner closing DM 5.50 higher at a session peak of DM 320, despite news that business had become more difficult this year with a narrowing interest margin. Management board spokesman Mr Wolfgang Roeller said conditions for the securities business were less favourable than in recent years.

Commerzbank put on DM 8 to DM 253, while insurer Allianz gained DM 30 to DM 1,635.

Cars were supported by news that West German new-car registrations rose 8.6 per cent to 318,609 in April compared with March. BMW was also boosted by news of an 11 per cent increase in sales between January 1 and May 15 this year, and put on DM 8 to a high of DM 587.

VW rose DM 10.50 to DM 357 and Daimler gained DM 15.50 to DM 976.

Among chemicals, BASF rose DM 2.90 to DM 273.90, Bayer gained DM 3.60 to DM 304.80, and Schering was up DM 5 to DM 530.

Metals processor Degussa gained DM 3.50 to DM 523.50 but Preussag edged down DM 0.50 to DM 163.50 after news that it was unlikely to pay a dividend on 1987 earnings.

Zurich firmed on strong demand for banking stocks, insurers, holdings and selected industrials. Major banks improved, with UBS bearer gaining SFr 80 to SFr 4,480 and registered SFr 30 to SFr 860.

A firm insurance sector saw Winterthur bearer pick up SFr 150 to SFr 6,000 after reporting a 21.7 per cent rise in net profit last year and proposing a higher dividend.

In foods, Nestlé bearer edged lower and registered and certificate posted minor gains.

Brussels was depressed by local factors, particularly the Government's continuing language row. A lacklustre market remained overshadowed by a series of dividend payments in serveral key shares earlier this week.

Prices fell in quiet trading, but a recovery late in the day slowed down the overall decline. Oil firm Petrofina gained ground after an early sell-off to close at BFr 10,950, just BFr 25 down from Wednesday.

Royale Belge continued to fall at the end of an apparent takeover battle for its control, closing BFr 240 down at BFr 5,600.

Stockholm gained on technical factors as the bourse posted its strongest gain in six weeks helped by lower interest rates, but pessimism from earlier in the week remained.

Volvo, which fell SKr 2 to SKr 300 ex-dividend, was heavily traded amid strong buying interest after Wednesday's first-quarter results proved in line with market expectations.

Electrolux gained SKr 8 to SKr 308 ahead of its first quarter results, which showed only a marginal profit rise despite a 50 per cent jump in turnover caused by a string of acquisitions.

Paris succumbed to concern over the French economy's poor performance. News on Wednesday night of a FFr 3.6bn trade deficit for April added to recent disappointing indicators.

Share prices opened slightly easier on the first day of the new accounting month, with losses including engineering and electrical groups.

Arms manufacturer Luchaire fell FFr 91 to a year's low of FFr 614.

Amsterdam was cautious, with some late foreign buying lifting prices above the day's lows. Internationals drew attention, with Royal Dutch adding Fl 1.20 to Fl 256.10, Unilever Fl 3.40 to Fl 631.50 and Akzo Fl 1 to Fl 129.50.

Milan rose slightly on improved demand in the insurance sector, listings of the Carlo De Benedetti group and selective financials.

Madrid eased on profit-taking, with bank shares losing ground.

Oslo dropped on heavy profit-taking in oil stocks, which showed strong gains over the past week.

LONDON

NERVOUSNESS over the latest UK opinion polls overcame the positive effects of a firmer Wall Street and London equity prices took a further tumble. There was further selling of bank shares in a generally jittery financial sector.

The FT-SE 100 index closed 20.3 down at 2,153.7 – making a net loss of 69.6 over the past two sessions. The FT Ordinary index fell 13.1 to 1,677.7.

Government bonds firmed slightly on the back of stronger US bond prices. Long maturities added ¼ with shorter-term dates little changed. Details Page 48.

SOUTH AFRICA

THE WEAKER bullion price pulled down Johannesburg gold shares, which closed at the day's lows in light trading. Industrials mirrored the fall.

Gold bellwether Vaal Reefs gave up R11.00 to R439.00, Buffels lost R2.50 to R73.50 and Driefontein slid R1.50 to R84.50. Freegold was 75 cents off at R58.50.

Mining financials softened with the trend, Anglo American by R1.50 to R80.00. Other mining stocks were also off, with Rustenburg Platinum 30 cents down at R56.50 and diamond stock De Beers R1.25 lower at R40.50.

Elsewhere, leading industrial share Barlow Rand gave up 25 cents to R28.50 and South African Brewers held steady at R19.50. Retailer OK Bazaars lost 25 cents to R18.50. The industrial index closed 7.0 down at 1,948.

Thailand may allow non-voting shares

THE Securities Exchange of Thailand (SET) is studying the possibility of allowing listed companies to issue non-voting rights shares to increase the supply of stock on the exchange, *Reuter reports from Bangkok.*

The SET president, Mr Marusy Phadungsith, said he believed non-voting rights, or "B" category shares, could promote further foreign investment in the Thai exchange, following the active overseas buying of most Thai blue chips last year.

Mr Phadungsith said the SET had asked its legal advisers to decide if Thai law allows listed companies to introduce B shares.

He said many Thai companies would welcome such securities, which would not expose them to takeover bids or allow shareholders to interfere with their management.

Foreign investment in Thai stocks increased dramatically in the second-half of 1986, but slowed early this year after foreign investors' holdings in popular issues approached legal ceilings.

Foreign ownership in Thai banks is limited to 25 per cent and in most other businesses to 49 per cent.

The SET said foreign investors bought Thai stocks worth 2.15bn baht ($84m) in the fourth quarter of 1986, up from 957m baht in the third quarter and 188m baht a year earlier.

SINGAPORE

HEAVY institutional buying of lower quality and Malaysian issues propelled Singapore share prices to a record close as the market absorbed bouts of profit-taking on blue chips.

The Straits Times industrial index rose 9.08 to the new high of 1,216.91.

Fraser and Neave was among the day's biggest gainers, picking up 30 cents to S$9.95. Shangri-La climbed 12 cents to S$5.10 and Inchcape 8 cents to S$4.98.

ASIA

Demand-related issues lead sharp recovery

TOKYO

SMALL-LOT buying of large capital stocks and those related to domestic demand pushed Tokyo prices sharply higher yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The market still lacked vigour, however, as uncertainties about the economic outlook and interest rate trends deterred institutional investors.

The Nikkei average, which suffered the second biggest single-day loss of 658.28 on Wednesday, ended 334.41 higher at 23,754.01. Volume reached 752.09m shares compared with Wednesday's 827.65m. Advances led declines by 535 to 377, with 116 issues unchanged.

Nippon Steel topped the active list with 42.57m shares traded and rose Y9 to Y345. Nippon Kokan added Y17 to Y317 and Ishikawajima-Harima Heavy Industries Y50 to Y688.

Budget-sensitive stocks fared well in afternoon trading. General contractors and properties firmed, with Taisei gaining Y70 to Y1,210, Kajima Y90 to Y1,940, Mitsui Real Estate Y230 to Y2,980 and Mitsubishi Estate Y120 to Y2,970.

Among housing-related issues, Daiwa House surged Y150 to Y2,400 and Sekisui House Y210 to Y2,320, while Toto ended Y130 higher at Y2,510.

Power and gas utilities turned up. Tokyo Electric Power and Tokyo Gas closed Y100 and Y70 higher at Y8,100 and Y1,310, respectively.

Financial issues recovered some ground from Wednesday's nose-dive following reports that Citicorp would add $3bn to its loan-loss reserve to write off bad loans to developing countries.

Nomura Securities added Y100 to Y5,020, but buying enthusiasm was weaker among other financials, particularly city banks which have big outstanding loans to developing countries. Sumitomo Bank and Fuji Bank closed only Y10 and Y20 higher at Y4,330 and Y3,820, respectively, while Mitsubishi Bank fell Y30 to Y3,770.

High-technology issues, which performed strongly on Wednesday, were mixed. Matsushita Electric Industrial jumped Y20 to Y1,890, bolstered by investment trusts' and foreign buying. NEC ended Y30 higher at Y1,730.

Conversely, Sony lost Y40 to Y2,870, depressed by Wednesday's report that the leading consumer electronics maker had suffered an operating loss of Y8.6bn in the business year to March, due to the strong yen. TDK shed Y70 to Y3,080 and Fanuc Y150 to Y4,900.

Niigata Engineering, the second most active stock with 26.10m shares traded, jumped Y39 to Y379 on investor appraisal of its advance into the food biotechnology business. Tokyotokeiba leapt Y56 to Y770 on rumours that the Tokyo Metropolitan Government, the biggest shareholder of the horse-racing track operator, will unload its equity holdings.

Bond prices moved violently. In early trading, some dealers stepped up buying of the benchmark 5.1 per cent government bond, maturing in June 1996, helping to push down its yield to 2.820 per cent.

In afternoon trading, however, selling pressure grew on reports that the Bank of Japan plans to shorten the bond trading settlement period from the present 10 days to a uniform four days to curb speculative bond trading. As a result, the yield on the benchmark issue turned higher, ending at 2.990 per cent compared with a 3.005 per cent at Wednesday's close.

AUSTRALIA

GOLD SHARES fell sharply as the bullion price dipped, wiping out Wednesday's gains and leading Sydney prices down across a broad front. The All Ordinaries index closed 9.2 lower at 1,845.0. The gold sector index, which rose 51.5 on Wednesday plunged 52.9 to 3,567.4.

Lower golds included Emperor, 40 cents down at A$9.30 and Whim Creek, which lost 50 cents to A$13.00. Other miners also softened, with CRA 20 cents down at A$10.70 and Western Mining 12 cents off at A$8.00.

Weakness in London and New York share markets hit blue chip industrials. News Corp was 80 cents weaker at A$19.40. Elders IXL fell 16 cents to A$4.40. BHP moved against the trend, however, with a 26 cent rise to A$10.20.

QBE Insurance jumped A$1.50 to A$14.00, the price of a takeover offer announced on Thursday from Oilmet Investments.

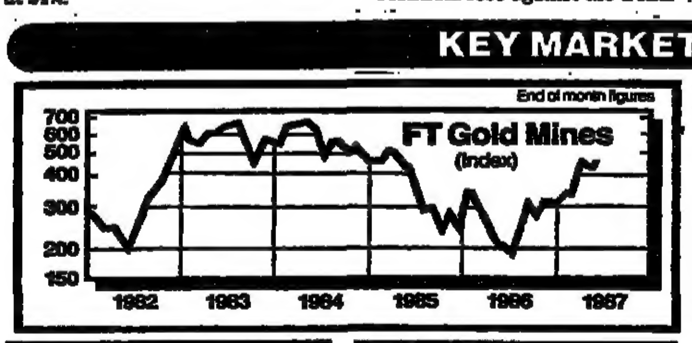
HONG KONG

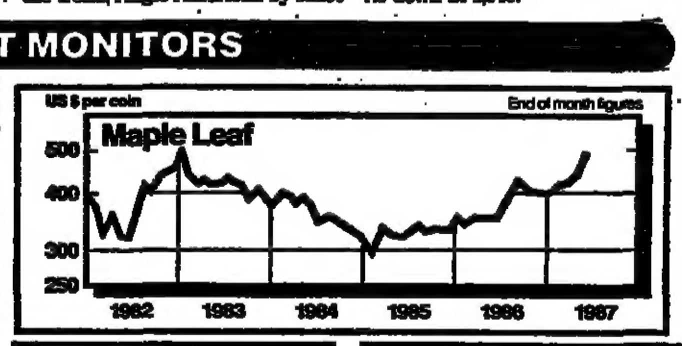
CONTINUED SELLING pushed Hong Kong share prices lower in thin and directionless trade. The Hang Seng index lost 7.19 to 2,870.91. Turnover was down to HK$713.76m from Wednesday's HK$1.1bn.

Worries over the Latin American debt exposure of Hongkong Bank's US subsidiary, Marine Midland, also dragged prices lower. Hongkong Bank fell 20 cents to HK$8.20. Other banks regained lost ground, however, with Bank of East Asia up 30 cents to HK$22.20 and Hang Seng Bank HK$1.25 higher at HK$37.75.

Late bargain hunting helped some stocks and Cheung Kong picked up 25 cents to HK$42.00.

KEY MARKET MONITORS





STOCK MARKET INDICES

	May 21	Previous	Year ago
NEW YORK			
DJ Industrials	2,225.77	2,215.87	1,775.17
DJ Transport	933.81	933.42	780.30
DJ Utilities	193.69	191.39	181.15
S&P Comp.	280.17	278.21	235.45
LONDON FT			
Ord	1,677.7	1,690.8	1,316.3
SE 100	2,153.7	2,174.0	1,591.5
A All-share	1,078.92	1,086.05	286.71
A 500	1,200.04	1,207.67	866.66
Gold mines	433.3	439.2	228.3
A Long gilt	8.91	8.92	9.10
World Act. Ind (May 20)	127.90	130.11	89.67
TOKYO			
Nikkei	23,754.01	23,419.60	15,808.1
Tokyo SE	2,073.34	2,054.91	1,243.02
AUSTRALIA			
All Ord.	1,845.4	1,854.6	1,172.3
Metals & Mins.	1,266.2	1,284.4	481.1
AUSTRIA			
Credit Aktien	184.32	186.57	252.91
BELGIAN SE	4,475.30	4,512.40	3,688.87
CANADA			
Toronto Met.& Mins.	2,728.9	2,764.4	2,025.0
Composite	3,696.9	3,720.3	3,027.5
Montreal Portfolio	1,820.47	1,825.9	1,531.65
DENMARK SE			
SE	202.10	203.10	228.74
FRANCE			
CAC Gen	421.70	425.60	405.3
Ind. Tendance	103.50	104.90	93.13
WEST GERMANY			
FAZ-Aktien	571.66	570.98	641.50
Commerzbank	–	1,729.60	1,942.2
HONG KONG Hang Seng	2,780.91	2,878.10	1,794.84
ITALY Banca Comm.	702.44	699.10	903.15
NETHERLANDS ANP CBS			
Gen	287.60	286.50	270.6
Ind	253.20	253.50	258.1
NORWAY Oslo SE	422.62	423.62	332.26
SINGAPORE Straits Times	1,216.90	1,207.80	589.11
SOUTH AFRICA JSE			
Golds	–	2,276.0	1,145.6
Industrials	–	1,955.0	1,159.7
SPAIN Madrid SE	220.98	224.10	178.17
SWEDEN J & P	2,614.90	2,560.80	2,279.33
SWITZERLAND Swiss Bank Ind	582.90	580.60	560.9

COMMODITIES (London)

	May 21	Prev
Silver (spot)	533.85p	555.30p
Copper (cash)	£908.50	£915.00
Coffee (July)	£1,370.00	£1,360.00
Oil (Brent)	$18.60	$18.65

GOLD ($/oz)

	May 21	Prev
London	$470.00	$475.25
Zürich	$468.45	$475.75
Paris (fixing)	$468.49	$473.21
Luxembourg	$470.35	$480.65
New York (June)	$470.30	$472.10

CURRENCIES (London)

	US DOLLAR May 21	US DOLLAR Previous	STERLING May 21	STERLING Previous
$	–	–	1.6795	1.6835
DM	1.7770	1.7745	2.985	2.9875
Yen	140.45	139.80	236.0	235.25
FFr	5.9475	5.935	9.9875	9.9925
SFr	1.4590	1.4540	2.45	2.4475
Fl	2.0015	1.9995	3.3625	3.365
Lira	1,289	1,284.50	2,165	2,162.5
BFr	36.85	36.80	61.90	61.95
C$	1.3475	1.3465	2.2645	2.2655

INTEREST RATES

	May 21	Prev
Euro-currencies (3-month offered rate)		
£	8⅝	8⅝
SFr	3 13/16	3 15/16
DM	3⅝	3⅝
FFr	8 7/16	8 5/16
FT London Interbank fixing (offered rate)		
3-month US$	7⅝	7 11/16
6-month US$	7 15/16	8
US Fed Funds	6⅝*	6⅝
US 3-month CDs	7.20*	7.475
US 3-month T-bills	5.545*	5.66

FINANCIAL FUTURES

CHICAGO

	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	87-31	88-28	87-26	87-28
US Treasury Bills (IMM) $1m points of 100%				
June	94.10	94.13	94.05	94.01
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.28
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.42	92.44	92.35	92.34
20-year Notional Gilt £50,000 32nds of 100%				
June	126-03	125-08	125-18	125-28

US BONDS

Treasury

	May 21 Price	May 21 Yield	Prev Price	Prev Yield
7¼ 1989	99 25/32	8.05	98 25/32	7.023
7 1994	91 1/32	8.746	91 1/32	8.745
8½ 1997	97 17/32	8.888	97 17/32	8.892
8¾ 2017	97 ⅜	9.025	96 29/32	9.08

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index May 21	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.88	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.76	–0.03

Source: Merrill Lynch

Corporate

	May 21 Price	May 21 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.29	6.70	92.22	6.70
SCBT South Central 10⅞ Jan 1993	102.50	10.29	102	10.40
Phibro Sal 8 April 1996	89.77	9.75	89.33	9.83
TRW 8⅜ March 1996	94.45	9.70	94	9.78
Arco 9⅞ March 2016	98.33	10.05	97.75	10.11
General Motors 8⅝ April 2016	82.00	10.05	81.25	10.14
Citicorp 9⅝ March 2016	89.00	10.60	89	10.60

Source: Salomon Brothers

* Latest available figures